The Management Review

NOVEMBER, 1952

THE MONTH'S BEST IN BUSINESS READING . . .

Personnel
Production
Office Management
Marketing
Finance
Insurance
Packaging
General Management
Books of The Month

Among the Features

AMERICAN MANAGEMENT ASSOCIATION

M. J. DOOHER, *Editor;* BLANCHE DOLMATCH, *Digest Editor*

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York 36, N. Y., at seventy-five cents per copy or six dollars per year. Vol. XLI, No. 11, November, 1952. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

Changes of address should be forwarded to the publishers *one month in advance,* and postal unit numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December number. The contents are also indexed in the *Industrial Arts Index.*

Volume XLI No. 11

NOVEMBER, 1952

A Partial List of Contents

The Management Review

GENERAL MANAGEMENT

PERSONNEL MANAGEMENT

OFFICE MANAGEMENT

MANUFACTURING MANAGEMENT

MARKETING MANAGEMENT

FINANCIAL MANAGEMENT

INSURANCE MANAGEMENT

General Management

THE CHALLENGE OF THE NEXT HALF-CENTURY

By the year 2,000, 50 million more people will have been added to the population of the United States. Because of the enormous pressures these 50 million Americans are going to exert on every single seam and stitch of our national fabric, their advent constitutes one of the biggest events on our national calendar.

To serve a total of 200 million by the end of the century will demand the vast expansion of everything in the United States. It will require a tremendous enlargement of every one of our common services: water supply, communications, transportation, power systems, and generation of energy. From the scientific point of view, such an expanded population will demand the opening up of new, untapped resources, such as the ocean, seas, and tidal waters. It will urge us to speed up the development of atomic energy for peacetime uses and perhaps hasten our efforts to employ the energy of the sun to turn the wheels of industry.

Though our entire economy will have to be geared to meet the material needs of a rapidly mounting population, it will have to meet other requirements as well, for we are entering upon a complicated half-century, rife with problems that will deeply challenge all the abilities and capacities of our industrial democratic society.

For example, science has not only given us a mechanical revolution; it has given us a biological revolution, whose full force is now becoming evident. Science has increased the proportion of older people in our population so rapidly that by the year 2,000 we shall have about 26 million older people in the United States—13 out of every hundred. They will be a staggering burden if predominantly they are financially dependent. Therefore, another of the nation's big tasks in the coming decades will be to find uses for our older manpower.

Women, too, will play a dominant role in the enlargement of our labor force. Women now outnumber men for the first time in our history. In increasing measure they are pressing to enter industry. One-third of the women in the United States today are employed outside the home. More jobs for a greater proportion of women than ever before will have to be found in the future.

If the future is in keeping with the past, we also are going to face pressures for a steady shortening of the work week. Economists are predicting a 30-hour work week, not by the end of the century, but as near as 1980. If, however, the need in an expanding economy is for a greater flow of goods, this shorter work week will mean a lessened flow—unless output per manhour can be substantially increased.

Another problem to be faced in the years ahead will be the burden of social security payments. Today no real reserve funds to meet future requirements are being accumulated by our na-

For publishers' addresses or information regarding articles or books, apply to the AMA Information Service.

tional government. They are a lien on tomorrow. They must be paid out of future taxes.

Too, our national debt has reached the astronomical figure of more than a quarter trillion dollars. The share of each and every one of us in that staggering sum is today around $1,700. Only our extraordinary productivity now enables us to pay the interest on that debt, which amounts to some $7 billion annually.

Finally, we must maintain, and our economy sustain, a colossal defense program. More than half of every dollar of national revenue is designated for military expenditures in the current federal budget. To maintain that program—and to increase it if events warrant—our economy must be made to function at the highest speed possible.

How can the backs of industry, business, and our people bear such burdens? How can we also meet the needs of a vastly expanded population, providing, at the same time, the rising standard of living we have come to regard as essential to the American way of life?

The basic answer lies in an ever-growing productivity. Productivity is the very life-blood of our economy. Productivity can even offset the wrong answers, the maze of contradictions and mistakes that may have hindered our development in the past and may do so in the future.

The key to productivity lies in just a few, terribly important, things.

First, we must have more fundamental scientific knowledge. On one thing virtually every scientist will agree: We have been living off the fat of prior scientific discovery. It is increasingly imperative that we now encourage and support more basic research.

We must have faster technological progress. The practical applications of discovery in pure science must be speeded up. More innovations in application must be made.

We must provide industry with a greater number of trained scientists and technicians. Our principal training grounds—our scientific schools—must turn out more, better equipped men.

We must tap our richest resources—the nation's young but unused brainpower. Despite the widening of educational opportunity, only six million men and women in America today are college graduates, and only about 600,000 people constitute our nation's scientific and engineering manpower. The President's Committee on Higher Education recently said: "At least as many young people having the same, or greater, intelligence are outside college as are within."

Finally, we must create far more understanding of our economic system than now exists. Our citizens must realize the profound stake we all have—and the world has—in its preservation, expansion, and extension.

Over a half-century ago, in 1892, the Commissioner for the World's Fair in Chicago, Daniel Burnham, made a statement that has perhaps more meaning for our time than it did a half-century ago: "Make no little plans. They have no magic to stir men's blood, and probably themselves will not be realized. Make big plans. Aim high in hope and work, remembering that a noble plan, once recorded, will never die, but long after we are gone will still be a living thing, asserting itself with ever-growing insistency." Only with such plans can we meet the tremendous challenge of the future.

—John T. Rettaliata. *Commerce*, August, 1952, p. 13:4.

SUCCESSMANSHIP IN MANAGEMENT:

How to Get by in Business with Nothing on the Ball

MANY organizations harbor, in varying quantities, executives who are known to be not quite bright. Why these men have been singled out to direct policy and wield authority, or why their presence on the payroll is indulged at all, is not always clear to others concerned. The reference shelf fails to inform us as to the unbright 86 per cent of the salaried group earning $12,000 a year or more; what has been written about executives has usually dealt with the hot shots.

Preferment of the bonehead in management is, of course, age-old. It is only now, however, that I am able to report the findings of a recent private survey of why this is so and why it doesn't make any difference.

By far the most startling fact disclosed by the survey is that the American economy is indifferent to the mistakes of the 9,000 unbright executives studied. A curious equilibrium was noted between their errors and the wholly independent phenomena which *in every case* compensated for them. It was as if some benign natural force were operating unperceived to protect the fortunes of their employers from these men.

A few examples selected at random from the 9,000 case reports reveal the bizarre quality of executive reasoning and its consequences:

Bunker. A high-rent retail area had grown up around Bunker's job printing plant, but Bunker could never muster enough energy to move to a less expensive and more efficient location. His real reason for not moving was his reluctance to give up his private office, a wooden enclosure in the middle of the main floor, cluttered with a quarter century's debris —old catalogues, samples, clippings, and rubbish. Real-estate taxes were heading Bunker toward a receivership, when the city decided to build an arterial highway. In the land takings that followed, Bunker's property fetched for him a colossal profit. Now installed in a highly modern suburban plant, he is making pots of money and inveighing bitterly against life in general. His stockholders are sure he possesses second sight.

Appleby. This manager was talked into a ruinously expensive public relations campaign by a handsome young woman who happened to remind him of an unattainable girl who had sat next to him in school 30 years earlier. The campaign caused so much ribald comment about Appleby's company that his resignation was about to be demanded, when it was discovered that sales were up 43 per cent. The reason sales were up was that department store buyers had taken a scunner against the main competitor of Appleby's company, but neither Appleby nor his superior ever did find that out. Appleby got a $10,000 raise on account of the public relations fiasco.

Callow. Head of a large investment trust, Callow was in a liquid position (quite by accident) in 1927. A true disciple of inertia, he drove his associates almost to madness by missing out altogether on the securities boom. As the '29 crash progressed, Callow—still liquid—took on heroic dimensions. By the summer of '32, he became convinced that President Hoover would be reelected and therefore filled the trust's portfolio. Callow was shocked by the election of Presi-

dent Roosevelt, and after an interval of brooding he decided to sell out. But before he could make his move, the new President suspended all trading in securities. Callow next reasoned that the President would be impeached for devaluing the dollar, and that with impeachment would come a restoration of business confidence and higher prices, and he held on, once the markets were reopened. The President never was impeached, but Callow's portfolio multiplied itself tenfold, to his utter mystification.

Dearth. Eastern story editor for a major film studio, Dearth conscientiously rejected every first-rate book or play submitted to his office. But the same books and plays were always considered at the same time by the studio's West Coast office, which adapted from them a rich grist of box-office successes. Dearth remained undisturbed in his position, however, because his uncle was the studio's principal stockholder.

Vaguely. Personnel man in a vast organization, Vaguely could never make up his mind about anything. Timid, seclusive, he sought escape in a woozy mysticism and became the principal client of an astrologer. The notion that his doings were directly related to the movements of heavenly bodies fired Vaguely with a new self-confidence in laying down the astrologer's dicta. Because the astrologer's decisions were no worse than those of Vaguely's colleagues, and because Vaguely enunciated them with assurance, this executive became celebrated as a man of action. The astrologer's errors made no difference in this case, because Vaguely was working for a government agency in Washington.

How did these not so bright executives ever get their jobs in the first place? Many, naturally enough, were advanced by the other not so bright managers who had recruited them, but all had a broad common characteristic: they never alarmed their employers or took them by surprise. Bunker, Vaguely, Dearth, and the rest were consistent, if nothing else: they could be counted on, absolutely, to do the same thing every time.

—CHARLES W. MORTON. *Atlantic Monthly*, August, 1952, p. 88:2.

Schemes That Prey on Business Men

BETTER BUSINESS BUREAU RECORDS show that many business executives are surprisingly gullible when approached by representatives of worthless charities, fake advertising media, unsound membership organizations, and similar schemes.

Numerous promotions solicit funds from business men to combat Communism. All such solicitations should be investigated and analyzed carefully; some are dishonest, and others, though sincere enough, may have no facilities for securing effective results. This is also true of many projects inspired by the tax relief idea, which ask for contributions or membership fees. Advertising dollars, too, can be wasted on purportedly worthy causes, since many publications that solicit advertising of this type have no bona fide or established circulation.

Successful business men are naturally proud of their accomplishments—a fact that promoters are likely to capitalize on by selling write-ups in "mug books" and who's-who publications. Often, such books are printed on inferior paper, and have no established circulation. Often, too, they have no prestige, since anyone who pays for the privilege can get a write-up.

Many business men are also too hasty in buying mail order life, health, and

accident insurance from companies domiciled in other states. All such offerings are not illegitimate, but all should carefully be investigated; some contracts offered contain tricky clauses in fine print, which make the policies practically worthless. Also, in case of any dispute over payment of claims it may be both difficult and expensive to collect.

Unsound stock promotion schemes, crooked collection agencies, and bills for unordered merchandise or unauthorized advertising are a few more of the threats that may confront trusting business executives. There are many others. The only safe way to avoid loss from fraudulent or unsound promotions and solicitations is to investigate before you invest.

—JAMES L. PRITCHETT in *The Southwestern Purchaser*

Is Plant Dispersal a Myth?

THE NATION'S plant dispersal program, despite the government's basic policy advocating dispersion, is a complete myth, according to New York plant location consultant, Leonard Yaseen. More and more of the nation's vital production, says Mr. Yaseen, is being concentrated in cities already overwhelmingly industrialized, and consequently the nation's defense machine is far more vulnerable to enemy attack than ever before.

Declaring that the nation is being lulled into a false sense of security, Mr. Yaseen quoted a survey, based on government-issued certificates of necessity totaling about $11 billion, which indicates that new war plants are being built in areas already industrially overcrowded. He cited 19 such key areas in which over half of America's industrial capacity was jammed before the Korean war. Today these same areas account for an even greater percentage of United States industrial output than they did in 1949.

This goes against criteria established in 1948 by the National Security Resources Board, which then listed qualifications and safety factors for new plants. Among the criteria established was that factories should be built in cities of less than 50,000 population, at least 10 miles from a major city and at least three miles from any strategic industries.

Further analysis also revealed that:

1. Seventy-two per cent of the nation's total steel ingot capacity is concentrated in four states.

2. Aircraft production is centered in five large areas.

3. Oil refineries are concentrated in several major districts.

4. About three-fourths of the machine tool industry is located in highly vulnerable areas.

—*The Controller* 5/52

AMA MIDWINTER GENERAL MANAGEMENT CONFERENCE

The Midwinter General Management Conference of the American Management Association will be held Monday-Thursday, January 12-15, at The Hotel Statler, Los Angeles.

MAKING PLANT TOURS PAY OFF

THE MODERN PLANT TOUR is a hard-hitting, aggressive way to tell your company's story. That's why alert management has been favoring this means of fostering better relations with employees, customers, and the community. Seven out of ten people say they would like to go through a plant in their community, and eight out of ten people who take a plant tour say they would like to come back again next year. Since they enable the visitor to get the facts himself, tours are a natural as a communications device.

Careful planning is required to put into a plant tour just what the visitor should get out of it. Letting the facts speak for themselves may give precisely the wrong connotation. Here is an example of the wrong approach:

"This machine makes 6,000 dinkuses an hour. It works to .0002-inch accuracy. It does the work of four men using older style machines." The visitor reaction may well be: "Do faster machines mean fewer jobs? Companies must make four times the profit." A plant tour like that works against itself. But consider this approach:

"This machine cost $20,000; company profits were needed to buy it. Machines like this have lowered the cost of products to the consumer so that people could buy more. That has made even more jobs and raised wages in the plant." The visitor reaction is: "It takes a lot of profit to buy machines and create jobs. Machines lower prices, make more jobs and bring about a higher standard of living. Profits are a good thing."

What does a plant tour involve in terms of cost and personnel, and how frequently should tours be held? In organizing a tour, it is important to remember that its cost is no index to its success. An inexpensive tour that has a unified theme and is carefully planned to get it across should be the goal. Personnel requirements are equally flexible. The major rule here is that guides should know the plant thoroughly and should, preferably, not be top-level management. Since visitors are impressed if ordinary workers are sold on the company as a good place to work, lower-level supervisors like foremen make the best guides. One guide is needed for each group of 10 to 20 persons making the tour under production conditions. If you plan tours frequently, train enough guides to give the tours so that you won't have to call on busy personnel. As for frequency, most firms hold general plant tours every one to five years. Once you are set up, you can give the tours as often as is desirable, with little expense or effort.

Here are some planning suggestions to help insure the success of your tour:

1. Don't attempt to do all things for all people in one tour. Decide just what the tour should do and whom it should reach.

2. Publicize your tour widely. Newspaper and radio announcements and posters are effective in community-wide tours. Invitations with r.s.v.p. enclosures serve well for smaller groups.

3. Make adequate arrangements for parking well in advance of the tour, and be sure to mark these areas clearly. Rest rooms should be easy to find, and necessary provisions should be made for the supervision of small children.

4. Plan the route to follow a logical sequence of manufacturing, or from

simpler operations to more complex. Try to give the tour a logical meaning so that visitors can integrate what they learn.

5. Decide on a few main points that tell the story. Keep them simple and repeat them at every appropriate opportunity along the route.

6. Train your guides to understand the purpose of the tour and the part they play in its success. Guides should have an easy, understandable, and chatty talk prepared for each part of the tour.

7. Keep it short and friendly. Two hours is a maximum for sustained interest in the tour itself; standing and walking for a longer period will probably prove boring to your guests.

8. Use exhibits to clarify and interpret the plant and its functions. Don't rely on questions or guides' talks to tell the whole story.

9. Provide an attractive pamphlet covering the main points of the tour. It will re-emphasize and fix in the visitor's mind the themes of the tour, and it may bring out points he missed during the tour itself.

A well-planned tour teaches customers what your plant can do. It benefits employees by showing them how their jobs fit into the over-all production pattern. Finally, it gives communities an opportunity to learn what your plant means to them, and to understand more fully the role of free enterprise and profits in our economy.

—*Steel*, August 11, 1952, p. 66:2.

"Equalized" Wages in the U. S. S. R.

THERE IS FAR MORE EQUALITY of income in the United States than in the Soviet Union, according to an analysis of latest American and Russian statistics on wage rates. Despite early Soviet claims that communism would eliminate the wide spread between incomes of the low-paid and high-paid workers, that spread actually has widened under the Soviet regime.

On the basis of a U. S. Labor Department analysis of wages in two representative industries—steel and construction—it is evident that the spread in workers' wage rates is almost twice as great in Russia as in America. In the steel and construction industries it was found that the Soviet maximum basic pay rate was about 3.5 times greater than the minimum basic pay rate. In the United States, the maximum basic pay was a little over twice the minimum.

U. S. Labor Department economists say the study shows there are many reasons for the greater spread in earnings in the Soviet Union, and list some of them as follows: (1) The Russian industrial economy has not yet reached the stage of full development; (2) the Russian level of living is low; (3) Soviet labor cannot carry on free collective bargaining, such as American trade unions do; and (4) Russia has a great scarcity of skilled labor. Workers from the vast pool of unskilled labor in the U. S. S. R. can be obtained "cheap" and are severely exploited.

—*The Labor Herald* (Wilmington, Del.) 9/27/52

HOW SHALL I TALK of the sea to the frog, if he has never left his pond? How shall I talk of the frost to the bird of the summer land, if he has never left the land of his birth? How shall I talk of life with the sage, if he is the prisoner of his doctrine?

—From the sayings of CHUANG-TSU, a Chinese philosopher (400-300 B.C.)

LET'S DIAGNOSE BEFORE PRESCRIBING

LIKE most other professional men, management consultants may often be their own worst enemies. In their zeal to expound and exploit organization planning—one of the newest and most effective management techniques—they may lead both themselves and their clients to believe that a "well-balanced" organization chart is an end in itself. The results obviously cannot be satisfactory; everyone concerned is likely to be disappointed and consequently skeptical about the effectiveness of organization planning.

An organization chart, since it is merely a picture of an organization, should be given little consideration until an effective organization planning job has been done. In other words, an efficient organization—not an organization chart—should be the goal.

Many smoothly operating, low-cost companies just grew that way. However, a great many others that have disregarded planning are losing money, market position, and credit rating. Such firms frequently display, too, additional symptoms of poor organization: inferiority of products or services, inadequacy of management planning and control, high operating costs, and low employee morale. Companies in this condition need effective organization planning; organization charts alone cannot save them.

A parallel can be drawn between the need for a rest cure and the need for organization planning. Serious illness usually calls for a great deal of rest; minor symptoms can often be remedied by a little. Still, even a person in satisfactory health needs an occasional vacation if he is to avoid the necessity of a rest cure.

For an effective job of organization planning, three basic steps must be taken in proper sequence:

1. *Determine the "end products" of the activity to be organized.* The term "end product" has been chosen simply because it is more specific, more basic, than "functions" or "objectives." Too often, statements of functions are clouded with information on how jobs are to be accomplished or on the procedures to be followed. Statements of objectives, on the other hand, are frequently too lofty and vague to be really useful.

The first step in organization planning, consequently, is to establish what top management expects from a given activity after the paper work involved in this activity has been processed and its record-keeping completed. For example, the end products of a general accounting department may well be (1) profit and loss statements, (2) balance sheets, etc. Most statements of functions, however, will discuss at some length "the keeping of general ledgers, making journal entries, etc." All of these may be necessary, but they are not the *end products* that top management expects from the accounting department. Similarly, one of the end products of the personnel department may be the hiring of employees; but the advertising, the interviewing and the obtaining of applications, though necessary to the accomplishment of the end result, do not fall into this category.

2. *Determine the management methods or basic systems utilized by the activity in creating its end products.* By systems or management methods is meant the over-all plan for operating the activity concerned—i.e., planning the work and

measuring its effectiveness, and determining what information is obtained, with whom it is cleared, what eventually is done with it. We are not yet concerned with detailed working procedures.

To illustrate, let us assume that a basic decision has been made to divide a company into separate operating divisions in order to permit each division to specialize in and concentrate upon the particular product or service assigned to it. Before any significant work can be done on the organization structure of any of the divisions, or on that of the "central staff" of the company, the over-all management plan must be determined. How will the performance of the divisions be measured? By profit and loss statements? By performance against standards, quotas and budgets? If performance is to be measured by profit and loss statements, how should products and services be transferred between the divisions of the company? At cost? Cost plus profit? Or competitive prices? These and many other characteristics of the over-all management plan must be known before the organization to make the plan work can be properly outlined.

3. *Develop an organization structure adapted to the basic system.* Many textbooks on organization analysis and planning speak eloquently about tailor-making an organization to do a particular job; but little is said about ways of taking prerequisite measurements. By steps 1 and 2, we have taken these measurements, and are now ready to develop the organization structure, keeping in mind such finer points of organization as "levels of authority," "span of control," and the like. The basic principles of organization are important, and should be observed. They have, however, been thoroughly treated in many excellent books, and there is no need to discuss them here.

It must, however, be emphasized that you cannot organize in a vacuum. You must know why you are organizing: the end products. You must know what you are organizing: the basic system. You must organize to accomplish a specific desired result in a specific manner.

—An address by L. E. KREIG (Ford Division, Ford Motor Co.) before an AMA seminar in Chicago, October, 1951.

The World's Oldest Profession

A DOCTOR, an architect, and a politician were in a discussion as to which was the oldest profession.

"Certainly mine is the oldest profession," said the doctor. "You read in the early part of Genesis that a rib was taken from Adam to make woman—that's surgery."

"But even before that," replied the architect, "the Bible tells us that out of darkness and chaos order was created—that's architecture."

"Oh yeah," replied the politician. "You've proved my point—who created the chaos?"

—*Safety News Letter*

WE have no more right to consume happiness without producing it than we have to consume wealth without producing it.

—Shaw's *Candida*

Also Recommended • • •

YOUR BUSINESS MEETING: BOON OR BORE? *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), August 15, 1952. This article presents the results of a survey, covering all types of executives, made to determine what management hopes to get from meetings, and in what respects it is most often disappointed. Fact-gathering as a means of meeting evaluation, it is suggested, can help to make business meetings as rewarding and stimulating as they should be—but only if it is a continuous process that begins before the meeting and continues after its close.

HAVE WE LOST OUR MORAL HERITAGE? By Harry Emerson Fosdick. *Vital Speeches of the Day* (33 West 42 Street, New York 36, N. Y.), August 1, 1952. It took personal and public integrity to build this nation, Mr. Fosdick points out, and if its people, entrusted with decisive power in world affairs, fail to evince such character today, they will disgrace their past heritage and destroy present opportunities. He points out that if our children are to look back on this generation as one of the greatest in history we must have a moral revival, which calls for maintenance of personal integrity, development of codes of honor in business and the professions, and faith in our democratic way of life and in the great spiritual tradition that lies behind it.

HOW ECA PAID OFF. By Walter A. Diamond. *Dun's Review* (99 Church Street, New York 8, N. Y.), June, 1952. The Marshall Plan, which cost $12.5 billion during the four years of its existence, is considered by many one of America's most profitable investments. In addition to implementing the industrial and agricultural expansion of the 18 participating countries, promoting the restoration and soundness of European currency, and stimulating the growth of international commerce, it acted as a steady prop for our production and exports. Even more important, the author points out, it has led to the birth of NATO, one of our chief bulwarks against communistic aggression.

TRAINING EXECUTIVES TO TRAIN THEIR SUCCESSORS. By Eugene Whitmore. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1952. In this fifth in a series of articles on the current executive shortage in business, the author concentrates on the problem of finding and training young men to take the places vacated by older, experienced executives. Determining the probable number of separations that will occur within the organization, inventorying executive personnel, analyzing executive positions, and comparing executive personnel and positions are preliminary steps in solving this problem. Assigning candidates to certain executives for coaching, with a list of subjects to be discussed, is one of the most widely used practices where actual training is concerned.

DON'T SELL THE "BIG CITY" SHORT! By S. W. Toole. *Commerce Magazine* (1 North La Salle Street, Chicago 2, Ill.), June, 1952. This article discusses the question of whether general offices will join in the current movement from city to suburbs. Pointing out that the present advantages of the central city still outweigh its disadvantages, the author states his belief that the distributive and service industries will continue to favor the city. However, if the city is to serve as a focal center for commerce and industry, certain problems must be faced—among them slum clearance, relief of traffic congestion, and improved civic administration.

THE MODERN MIND IN MANAGEMENT. By Robert E. Sessions. *Cost and Profit Outlook* (Alderson & Sessions, 1401 Walnut Street, Philadelphia 2, Penna.), September, 1952. Analyzing the history of American attitudes toward business during the last century, this article discusses the corresponding evolution of three leading concepts in management philosophy: the technological frontier, the expansibility of markets, and the professional nature of the manager's job. Self-interest, the author emphasizes, is a major reason why management should view itself as the coordinator of change in the economic world of today.

THE RECENT MERGER MOVEMENT. By J. Fred Weston. *The Journal of Business of the University of Chicago* (The University of Chicago, Chicago 37, Ill.), Vol. XXV, No. 1. Some 2,500 firms with total assets of about $5 billion were absorbed in mergers during 1940-1947. The outstanding characteristic of this merger movement was the acquisition of relatively small firms by large firms. This article, based on a review of the findings of two recent studies of business mergers, shows the effects of these mergers on industrial concentration, points out the reasons for such mergers, and discusses their effect on competitive behavior.

Personnel Management

UNDERSTANDING THE AGING

The progressive shift in the age distribution of the population is increasing management's responsibility to its aging employees. In order to meet effectively the impact of these workers upon industry, it is particularly important that executives, supervisors, and labor leaders gain greater insight into this tremendous problem area.

In the face of more evidence to disprove than to support it, the idea persists that after 40 an employee's productivity is usually decreased, and that he is consequently a poor industrial investment. Though there is at present little precise knowledge concerning the significant differences between older and younger workers, gerontology has established that individual differences among the aged are so great that it would be unsound to base broad policies on chronological age.

Also, it seems undeniable that under normal circumstances, age brings better judgment, increased skill, fewer mistakes, and greater steadiness, persistence, and dependability in work habits. Surveys have shown that absenteeism was generally less frequent among older workers during the period of full employment when large numbers of them were on war jobs. With respect to work injuries, older workers showed a record as good or better than that of younger workers. Men over 45, as a group, also show a consistent and distinct tendency to be more satisfied with their rate of pay, working conditions, supervisors, and the treatment they receive on the job.

A helpful three-fold classification for evaluating the working efficiency of older employees has been suggested. First, there are those old people who retain their full faculties and vigor to an advanced age and can successfully hold a job far beyond the normal time of retirement. Here ability, not age, should be the deciding factor for retirement. A second group of older employees, because of accident, progressive disability, or simple decline in mental powers, have a gradually lessened capacity for their jobs. In such cases, suitable concessions to advancing years can be made by the employer without strain or friction, when the older worker is willing to accept the changes required by his declining efficiency. Third, there are a few older workers who, after 40, suddenly develop a serious organic mental disability. Here, medical and psychiatric diagnosis should be the final criterion of further employability.

A fourth category should perhaps be added to include neurotic or psychotic illnesses serious enough to interrupt employment but not so grave as to preclude later resumption of regular work.

Thus middle life from 40 to 60 opens and closes with two emotional hurdles—one associated with the climacteric and the other with vocational retirement. The nervousness and hysterical spells experienced by about 15 per cent of women during menopause are paralleled by symptoms occasionally seen in men between 45 and 55. At this time, constant anxiety, fear, emotional depression, and loss of interest in work may afflict men of an

ambitious, active, aggressive, hard-working type, who are good family providers and devoted husbands and fathers. Proper medical care and, where indicated, psychiatric referral, should be considered in these cases.

Reactive depression, a fairly definite type of psychoneurosis not infrequently encountered in men and women in their fifties and sixties, is usually precipitated by personal trouble or loss or vocational and economic reverses. These cases are acutely and almost continuously unhappy, self-centered, and disinclined to engage in any but the most necessary physical or mental activities.

Involutional melancholia may appear between the late forties and the early sixties in individuals who all their life have striven strongly for security and success. Having few interests outside of their occupation, these people make every effort to suppress their emotional conflicts by means of self-imposed restrictions or by over-absorption in work. Marked emotional instability and retardation of thought and action, accompanied by ideas of guilt or poverty, characterize this psychosis. Collaborative planning on the part of the patient, his family, his physician, and his employer, should result in proper psychiatric referral and treatment.

Management of such situations calls not only for adequate understanding of medical aspects of the aging process, but also mastery of the proper psychological techniques—in other words, skill in handling the special human relations of the aging. In this connection, it is important to remember that, while there are many factors determining the individual's vulnerability to senile mental change, useful occupation has a potent influence in retarding decline and deterioration; older people need especially to feel that the knowledge, skill, and experience they possess is still of value to society.

—Leonard E. Himler. *National Safety News*, August, 1952, p. 22:6.

COMPANY PRACTICES IN FOREMAN SELECTION

It's no exaggeration to say that a company's production record depends in large measure on the quality of its foremen. If the calibre of the supervisory force is generally high, the morale and job satisfaction of employees are also likely to be high, and this is bound to be reflected in their work. For this reason many employers consider the job of selecting foremen to be one of the most important personnel problems facing them in 1952.

Selection of foremen from rank-and-file workers is the overwhelming practice among a representative group of 180 large and small firms recently surveyed. Nearly one-quarter recruit foremen only from the ranks, and another 30 per cent obtain 95 to 99 per cent of their supervisors from this source. Conversely, only 9 per cent of the firms hire more than 25 per cent of their foremen from outside sources, while only 3 per cent report that more than half of their foremen are obtained from the outside.

What are the qualities which these firms look for in potential supervisors? About 40 per cent of the larger com-

panies (those employing more than 1,000 workers) and 50 per cent of the smaller ones believe that the individual's capacity for further advancement is a more important consideration than his suitability for the immediate job to be filled. About 29 per cent of the larger firms and 17 per cent of the smaller ones hold the opposite view. The rest feel that both factors should be given equal weight, or that the choice depends on the job to be filled.

If forced to choose between two individuals, one having outstanding job knowledge and the second having an exceptional ability to handle people, 98 per cent of these firms would choose the second individual. The reason given most frequently is that job knowledge can be taught more readily than human relations.

More than 90 per cent of these firms set no minimum age for supervisors. Their belief, in general, is that it makes no difference how young a foreman is, if he can do the job and handle people. Some point out, however, that the required experience and knowledge are rarely found in very young employees.

Only about a third of the larger companies and half of the smaller firms have set up minimum educational standards for foremen. In 90 per cent of these cases, it's required that the candidate have completed high school.

To determine which employees will make the best supervisors, 31 per cent of the larger companies and 20 per cent of the smaller ones report the use of various psychological tests, such as intelligence and aptitude tests. Other methods relied upon—by firms using psychological tests as well as by those not using them—are trial periods on supervisory jobs, review of performance records, study of leadership in outside activities, and tests designed to reveal knowledge of company activities.

Typically, candidates for supervisory positions are nominated by first- or second-line supervisors who have close contact with employees and can observe individual abilities. These recommendations are discussed with the personnel or industrial relations department. The actual selection is then made by higher management representatives, usually the plant manager or superintendent, or a committee composed of several management officials. When the final selection is left to one executive, he can usually call upon the advice of several other officials to aid him in making his choice.

—*Labor Policy and Practice* (Bureau of National Affairs, Washington 7, D. C.), August 15, 1952, p. 8:1.

No Deep Sea Diving Allowed!

A UNIQUE EDUCATIONAL PROGRAM inaugurated in 1945 by Stewart-Warner Southwind Division provides for company payment of employees' high school or college education. All employees, without exception, may take advantage of this offer.

The only restriction is that the courses be taken at a recognized, accredited school, whether private or in the city educational system. The employee pays in advance for his courses and upon presentation of a receipted bill is reimbursed immediately by Stewart-Warner for half the cost. If the employee passes his courses with a "B" average or better, the balance of the cost is repaid to him.

The program has been exceedingly successful. Most Stewart-Warner executives

have as secretaries former stenographers or office girls who studied secretarial courses at company expense; many foremen and supervisors have risen from the ranks with technical know-how obtained by studying at Stewart-Warner expense. Courses chosen need not have business value in order to receive Personnel Department approval, however. John Clark, Labor Relations and Personnel Director, says that he might boggle at a course in deep sea diving, but that if the man who wanted to study it could show that diving would be valuable to him, he would get company approval.

Started as a strictly benevolent system, this program has benefited the company as much as the employees. The heightened morale alone has more than paid for itself!

—*Production Engineering & Management* 7/52

Make That First Impression Favorable

FIRST IMPRESSIONS are extremely hard to dislodge, by argument, explanation, persuasion, or logic. That is why, before any plan or project is launched, it is well to take a long look at it and ask: "What will the first impression be?" Often, by examining it through the eyes of the people who will be affected, it will be found possible so to present it that the first impression will be favorable.

An example of an intelligent way of creating a favorable first impression of a change affecting an organization was the method used by a company in a large city in Ohio. The management had decided for good reasons to change its office hours from 9 to 5 to 8:30 to 4:30. This would require everyone in the organization—many of them commuters—to get up at least half an hour earlier.

Instead of announcing the new hours in the usual fashion, the company put a notice on the bulletin board headed, "How would you like to get home half an hour or more earlier every evening?"

The notice then went on to outline the advantages of being able to take the earlier and less crowded commuter trains, of having half an hour more daylight and more time to enjoy the youngsters before their bedtime. It then stated that the hours were to be changed as of a certain date, and gave the reason. The whole tone of the announcement was one of friendly interest in the employee and his family life, rather than the company and its welfare. The change won easy acceptance.

—*Management Briefs* (Rogers, Slade & Hill) No. 49

Mileage Allowances

FROM A RECENT SURVEY of 12 Eastern companies, it appears that six cents per mile is still the most prevalent rate (seven companies) for reimbursing employees for use of their personal cars on company business. Of the remaining companies, one pays five cents per mile; one, six and one-half cents; two, seven cents; and one, $11\frac{1}{2}$ cents. Three of the 12 companies are currently considering changes—two planning on increasing their rates, and one on reducing its rate. All but two companies pay bridge tolls, garage and other extra charges, in addition to the mileage allowance.

One company recently conducted a study of the cost of operating its company-owned cars (Fords). These cars were driven about 30,000 miles per year. The cost was reported to be slightly less than seven cents per mile.

—*L.O.M.A. Bulletin* (Life Office Management Association, New York, N. Y.) 7/15/52

THE INDUSTRIAL PUBLICATION COMES OF AGE

THE COMPANY publication which big and little business issues regularly to its employees, customers, and stockholders is today a big, growing business itself. According to a recent survey, company publications now number about 6,500, and have a combined monthly circulation of 70,718,860—larger than that of all the nation's daily newspapers and four times as great as that of the four leading general magazines. Individual circulations vary from less than 100 to over a million.

The survey, conducted by the International Council of Industrial Editors, showed that the publications cost business $112,373,820 annually. Of this, over $105 millions represent production costs; the remainder, editorial salaries.

A large number of these publications have come into existence since the beginning of World War II. Over 60 per cent have been publishing 10 years or less, and 29 per cent no more than five years. Last year alone, business brought 373 new publications into the field.

Three out of five company publications are edited primarily for employees and their families. Other readers on business' regular mailing list include customers, salesmen, retired employees, libraries, community leaders, stockholders, and dealers. Sixty-one per cent of the publications are now sent the reader by mail, as against about 50 per cent in 1948.

Business seems to favor the magazine format; three out of every five company publications published today are of this type, while only one in four is a newspaper. In size, they vary from two to 64 or more pages in a single issue. Three out of every four have eight or more pages, and most are growing.

Ninety-two per cent of the publications contain more illustrations and photos than were used five years ago. Two out of every three editors are today devoting one-third or more of their publications to illustrations. Color, too, is playing a more important part.

Over 30 per cent of the present company-publication editors have had college journalism training. Many have had experience in news writing, advertising, public relations, feature writing, and publicity. To improve their publications, many of these editors have attended courses to increase their knowledge.

—*Reporting* (International Council of Industrial Editors, Inc., Hudson Motor Car Co., Detroit 14, Michigan), September, 1952.

THE COFFEE BREAK IS NO FAD

RECORDS HAVE SHOWN that it actually pays dividends to satisfy workers' midmorning thirst for coffee. Higher production, increased efficiency, reduction of fatigue (and consequently of accidents and waste) and better morale have all been reported as results of management-sanctioned coffee breaks.

One tangible advantage to management resulting from the practice is the saving in manhours formerly lost by employees who left the job for 20 to 30 minutes each

morning for a cup of coffee at the nearest drug store. A Chicago insurance company figures savings of $20,000 a year. Mutual Life Insurance Company in New York estimates it saved 1,333 manhours a week in the first year's run—or $130,000 a year.

A recent survey of 1,160 firms in 45 states revealed that 79.7 per cent of the companies polled had begun their coffee relief periods since 1941; of this group, well over a third had inaugurated the rest periods since the end of the war. Seventy-eight per cent had instituted the time-out sessions of their own accord, and 22 per cent reported that breaks were specifically required by union contract. As a result of the breaks, 82 per cent of the companies noted reduction in worker fatigue; 75 per cent, improved employee morale; 62 per cent, increased worker productivity; and 32 per cent, a reduction in the accident rate. Average length of the break ranged from 10 to 15 minutes.

The survey showed that 44 per cent of the answering companies serve coffee from company cafeterias, 27 per cent use portable canteens, 19 per cent depend on vending machines, and 13 per cent use stationary canteens. Large companies, and particularly large offices, are likely to employ an industrial coffee supplier.

One such enterprise is the Industrial Hot Coffee Service in Chicago. When an IHCS truck arrives at the office or plant, the driver carries in the vacuum can of coffee. In most plants, counterwomen dispense the beverage; IHCS does none of the serving. Eighty per cent of the cost of the coffee is paid by the employees in firms served by IHCS.

Another kind of outside supplier service is exemplified by the Industrial Luncheon Service of Boston. Its coffee service is provided either by "truck stops" at small plants, or by mobile canteens in larger ones. The trucks, insulated and equipped to carry hot beverages and pastries, stop at the exit of an industrial building, where workers gather to be served. The mobile canteens, usually one to a plant, move on a carefully prepared route through the buildings during coffee break time.

Mobile carts, serviced and operated by restaurants or restaurant chains, have proved their worth in large downtown offices not equipped with coffee-making or dishwashing facilities. Wheeled, with frequent stops, through the office, they offer paper cups of hot coffee that can be carried back to workers' desks.

For many offices and plants, the automatic coffee-vending machine is the answer to the mid-morning coffee problem. Vendors require no more employee time than the moment required to put a coin in the slot and carry the drink back to the machine or desk.

Whatever the type of service, workers have responded enthusiastically to the principle of the refreshment break. They have endorsed it so heartily, in fact, that personnel men are beginning to wonder whether the pick-up interlude was not always a basic physiological need.

—*Modern Sanitation*, September, 1952, p. 17:4.

OLDER EMPLOYEES of the Ansul Chemical Co., Marinette, Wis., are permitted to add to their incomes by part-time work if their accumulated pension credits are insufficient to permit them to live comfortably on their retirement allotments.

—Lawrence Stessin in *Mill & Factory* 5/52

Also Recommended • • •

NEGRO EMPLOYMENT: A PROGRESS REPORT. By John A. Davis. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), July, 1952. In 11 states and 22 cities, embracing 60 million people, business is now operating under some kind of FEPC. Though much remains to be done in developing anti-discrimination regulations and improving some already in use, management is not having the difficulties it may have anticipated from FEPC, says the author. He cites the experience of Cleveland business men to show that wise anti-discrimination measures can be effective without hurting either employer or employee.

THE INTERDEPENDENCE OF WAGE AND PRICE DETERMINATION IN THE REGULATED INDUSTRIES. By Eli Clemens. *The American Economic Review* (American Economic Association, Northwestern University, Evanston, Ill.), Vol. XLII, No. 2. Since 1938 hourly wage rates in the utility industries have practically doubled. The author considers the factors which determine the level of utility wages, shows the varying degrees to which increased labor costs have been passed on to consumers in the electric, telephone, and transit industries, and discusses the possible effects of increased labor costs on operating methods and on profits.

CITY COMPARISON OF WAGE LEVELS AND SKILL DIFFERENTIALS. By L. Earl Lewis. *Monthly Labor Review* (Superintendent of Documents, Washington 25, D. C.), June, 1952. This article, based on a study made by the Bureau of Labor Statistics in 1951, compares wage levels and skill differentials in 11 cities. Among the facts brought out are that wages in 1951 were highest in west coast cities and lowest in southern cities and that intercity wage variations for comparable work were less pronounced for skilled tasks than for unskilled. The study also revealed a definite trend toward the narrowing of differences between wages of unskilled workers and those of other groups.

SIX TECHNIQUES HELP YOU PLAN AN OPEN HOUSE. By Robert Newcomb and Marg Sammons. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), Vol. 37, No. 5. A pharmaceutical manufacturer, holding an open house for its employees, reaped a harvest of good public relations from a specially prepared issue of its house organ describing the event. The issue helped employees remember what they saw, gave them something to show family and friends, and was enjoyed and proudly circulated by retired employees; it also had good public relations value among stockholders, customers, and prospects. This article cites six factors which made the issue noteworthy and which can be utilized by any company that wishes to produce a souvenir issue of lasting value.

BARRIERS AND GATEWAYS TO COMMUNICATION. By Carl A. Rogers and F. J. Roethlisberger. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1952. The communications problem from the standpoint of human behavior in general is discussed in the first part of this article. The second section, in which Professor Roethlisberger deals with communications in an industrial context, illustrates that communications should be conceived as a two-way process that involves not only logic but sentiment, and consequently demands a sympathetic receptiveness to the worker's own ideas.

CHALLENGEABLE TRENDS IN LABOR ARBITRATION. By Isadore Katz and James P. Mitchell. *The Arbitration Journal* (9 Rockefeller Plaza, New York 20, N. Y.), Vol. 7, No. 1, 1952. Two sharply divergent points of view on collective bargaining. In the opinion of Mr. Katz, General Counsel of the Textile Workers of America, C.I.O., three disturbing trends threaten the extinction of labor arbitration as we know it: (1) growing management pressure to narrow the scope of arbitration and thus obstruct settlement; (2) increasingly formalized arbitration proceedings; (3) a tendency on the part of the judiciary to favor management. Mr. Mitchell, Vice President of Bloomingdale Brothers, Inc., takes issue with several of the points raised by Mr. Katz.

THE UTILIZATION OF WOMANPOWER. By Eva vB. Hansl. *Vital Speeches of the Day* (33 West 42 Street, New York 36, N. Y.), September 1, 1952. Women, at present a marginal and relatively inconstant segment of the national labor force, represent a wasted national asset, declares the author. Industrial and community programs to lighten women's home duties while they are employed, part-time work and refresher training for those who quit work but may wish to return later on, and a realistic attitude toward the work potentialities of the older woman are some of the suggested remedies.

Office Management

THE VANISHING SECRETARY

Business men today are both irritated and perplexed by the "shortage" of able clerical help. It takes longer to fill jobs, even though salaries are high. The girls are low in skills, efficiency, initiative, and interest. They make little effort to do more than a passable job, shifting around frequently. The conscientious, hard-working, dependable secretary is rapidly disappearing from the scene.

Many explanations have been advanced. Experts point out that today's supply of young women is small, reflecting the low birth rate of the Depression years. Many are not in the labor market because they marry young and are tied to the home by young children. College-trained women want "career" jobs and are not content merely to be secretaries. Many girls want jobs in the glamour fields, such as advertising, radio, or television, either because of the inherent interest of the job content or because of the better prospects for husband-hunting these jobs offer. Some experts see a drift to industrial jobs which pay better than office work and are light and interesting. And so on . . .

Where does the difficulty really lie? For most employers, the key to the problem lies in their own attitudes. If the executive were to create for his secretary the same excitement and interest in her job which he enjoys in his, he would have no secretarial problem. If the department head were to make the job atmosphere pleasant and companionable, his stenographers would stay on the job because they enjoyed being "part of the group." In such organizations, job vacancies would be filled by recommendation—employees urging their friends to apply because it's a "swell place to work." People would leave their jobs reluctantly, and only because of unavoidable necessity.

An employer, therefore, should not be too quick to throw in the sponge with the excuse that he can't meet the competition of glamour jobs or out-of-line salaries. Too often, the only essential difference between a glamour job and his own work-a-day job opening is simply this: The glamour job makes the girl feel important, individual, part of an up-and-coming outfit. These psychological rewards are far more important to her than salary, easy hours, light work, etc. The employer should ask himself what makes his job challenging, interesting. Then he should put himself in the position of the secretary and consider what would make that job as challenging and interesting for her. More responsibility? Wider range of duties? More participation in group goals or projects? When he has reached his conclusions, he should check them with her and enlist her help in revitalizing not only her own job, but those of others in the department. Above all, he must keep in mind that enthusiasm must be generated from above—and that it must be nourished frequently.

—*Labor Report* (Research Institute of America, Inc., 292 Madison Ave., New York 17, N. Y.), September 17, 1952.

HOW NOT TO GET A JOB IN BUSINESS

In today's stringent labor market, personnel interviewers must deal with more than the usual quota of "characters"—individuals who obviously would be less out of place in a personality clinic than in the employment office. Some of the recognizable stereotypes into which these applicants fall are amusingly described in the article below—written by a practicing personnel executive after a particularly trying and frustrating week of interviewing.

THE PAST YEAR HAS BEEN a period of full employment, particularly for office workers in big cities. Personnel men have been accused again of "scraping the bottom of the barrel" and hiring anyone who can breathe. Yet, despite tough competition for stenographers, typists and clerks of all types, there are still some people whom we are delighted *not* to consider for positions. Here are a few of the types:

Paddlewheel Patty: So called because she settles on her spine while being interviewed and punctuates her remarks and ours with an incessant yop-yop, which is more than faintly reminiscent of a Mississippi River sternwheeler spanking its way toward a landing in a backwater bay. The yop-yop, of course, is unmuffled gum-chewing.

Smart-Set Sam: Who insists upon displaying hirsuteness of chin, chest, and forearm as if we doubted his masculinity. A grimy yellow sport-shirt open below the collarbone surmounts a pair of fatigue pants several years out of Navy surplus. While we're not looking for Beau Brummels, exactly, it is a little hard for us to visualize this specimen in mufti.

Confidential Connie: Who leans forward in her chair, beaming with her watery blue eyes into ours, and wagging her poodle-cut as she recounts the intimate details of her 39 years of maltreatment by parents, husbands, and previous employers.

Friendly Fred: Out to please any employer, Fred "just wants a job." He didn't have any particular reason for applying for a job with our organization, he says with a grin. He was just walking by and decided to stop in. He doesn't know whether our company cans sardines or manufactures antique wastebaskets, but he'd love it.

Taciturn Tessie: A shy little thing with a paper-cup personality. Mostly to make conversation, we ask her what subject she liked best in school. She finally gives us four words in reply, "I liked them all." All we know about her is that she has neck muscles: she can shake her head sideways or up and down.

Jargon Jim: This guy speaks a fast brand of slaughtered slang that leaves us somewhere out in left field. We can't determine whether he's an Esperanto student from UN headquarters, or a television repairman on vacation.

Fetchin' Gretchen: This cutie we can't even see. Cosmetics obscure everything but her low-cut neckline—which is her only qualification for the receptionist's job she seeks.

Airy Perry: The last word in sartorial propriety, and in this respect the antithesis of Smart-Set Sam. Unfortunately, his English is more clipped than his mane.

Popular Peg and *Popular Pete*: Both want jobs in Personnel—because they like people!

Matching Typing Jobs to Skills

A CENTRAL OFFICE in one government agency employed 40 typists, with skills ranging from 15 to 80 words a minute. Highly skilled typists were frequently assigned to jobs requiring little speed, such as typing cards and labels or filling in forms, while slow typists were often given work such as volume copying, where high speed is desirable. Faced with the problem of increasing the output of its typists, the agency worked out the following solution:

Eight different kinds of work were listed, and the minimum number of words per minute for assignment to each type of work was established as follows:

Job	*Minimum words*
Cards and folders	24
Forms and paragraph writing	24
Copy from rough draft	30
Machine dictation	30
Volume copy	40
Statistical tables	*
Stencil cutting	40

* Must have dexterity on number keys

Each section chief was then requested to check the typing skill level of her typists through conferences with immediate supervisors, and to recommend training for those whose skill was below the minimum necessary for assignment. It was also requested that typists with skills above their job requirements be reassigned to more difficult work, and that new typists be rated as they came on duty and assigned accordingly.

The program not only acted as a morale-booster, but, since each typist was assigned work consistent with her ability, also resulted in an increase in general output. Other by-products of the plan were: (1) the establishment of realistic training based upon work requirements; (2) a basis for evaluating work and setting standards.

—*Management Methods* 7/52

Night Shift for Typists

THE FOLLOWING ITEM appeared in a recent issue of the *Newark News*:

> Prudential Insurance Company will try out a night shift for stenographers to do typing. It is the first time extra employees have been hired for such night work.
>
> The company employment office is taking applications for stenographers and typists for assignment to the central transcription service. About 25 will be hired, effective next week, with the possibility that as many as 25 more will be taken on in the Fall if the experiment works out satisfactorily. The group will work from 4:15 to 11:45 P.M., with time off for supper.

From time to time other companies have introduced "night shifts" for clerical workers. In many localities, however, late dismissal created a problem of transportation and safety of the night workers. Accordingly, some companies timed the second or "night shift" to start at 5:00 P.M. or 5:30 P.M., the work period extending to 9:00 or 9:30, without a break for dinner. This short schedule seemed to be attractive to many workers, and it has been reported that production frequently exceeded that of the day workers operating on a 7 or 7½ hours' schedule.

—*L. O. M. A. Bulletin* (Life Office Management Association, New York, N. Y.) 7/15/52

OPERATION AND CONTROL OF AN OFFICE DUPLICATING DEPARTMENT

THERE are many reasons why progressive management is alert to the importance of having a complete and efficient duplicating unit within its own organization. Reliance on an outside printer, for one thing, involves the risk of competing with other customers for quick service. Also, it is uneconomical to employ a commercial printer for the short-run copy work that comes up in the day-to-day operation of a business.

Whether an office uses one or all of the many duplicating processes, a system must be established for operation and control. Duplicating usually comes under the authority of the office manager, who, in turn, appoints a supervisor to take charge of the actual production. This supervisor should be responsible for the operation, maintenance, and repair of the equipment, and the preparation and completion of all material to be reproduced. The personnel operating the equipment should be selected with care, since a low standard requirement for operators will inevitably result in loss of efficiency, waste of material, and generally unsatisfactory work.

A properly designed requisition form is of prime importance in the control of a duplicating section. The face of the form should list all the essential information, including process desired, number of copies required, and necessary remarks. The reverse side of this sheet can serve as the work record of the section. The number of sheets typed or printed, the date when the work was completed, and the operator's name should be listed here. This form should be produced in duplicate, the original attached to the work until it is finished and the duplicate held for reference at the control desk. Requisitions should be the responsibility of a control clerk who, after examining the work, should determine whether it shall be printed or otherwise reproduced, the format to be followed, the priority it is entitled to, and the time to be allotted for completion.

A control board can be adapted to duplicating work to help the control clerk schedule printing and duplicating through various steps from receipt of the copy through delivery of the completed material. This board should consist of two parts: (1) a visible numbered index; (2) a peg section, showing corresponding numbers. The visible index should contain a copy of the requisition, which can also be used to record additional information during the progress of the work.

The board proper can be used to give a graphic picture of the facts written on the requisition. This can be accomplished by using colored pegs to indicate necessary operations and the desired completion date. After the pegs have been assigned to the board, a white flow line should be extended to the peg representing the first step. As each operation is completed, the flow line should be advanced to the next step to be accomplished. On completion of a job all pegs for that particular job should be removed and the flow line retracted. The requisition should then be removed from the index and attached to the work copy. Use of such a board will show any approaching bottle-neck in time to prevent it. It also focuses attention on items requiring immediate action.

Establishing standards for typed, printed

or otherwise reproduced material, whether for internal or external distribution, is also an important part of the control operation. The logical place to "police" standards is at the duplicating control desk, since this is the point to which all requests are directed. Paper requirements, for example, should be studied with a view to consolidating various sizes, weights, and colors. Also, an attempt should be made to weed out those forms still being used long after their original purpose has been served.

—GEORGE J. HART. *The Office*, August, 1952, p. 77:8.

Improving Punched-Card Production with Incentives

INCENTIVE PLANS, applied to punched-card production, are increasing output, improving operator accuracy, and cutting down the turnover of capable clerical personnel. Since punched-card production is carried out by automatic machine processes, and requires only one manual operation—punching the initial control data into the cards—an incentive system is easy to devise.

A highly successful production-plus-accuracy incentive plan has been worked out by one of the biggest users of punched-card methods in the East. Lit Brothers, Philadelphia, have five basic pay rates for operators, plus a bonus arrangement for various amounts of production over the weekly minimum. After numerous tests, it was found that, regardless of speed, the operator error percentage could be kept to 1/10 of 1 per cent. The incentive plan, however, allows a 1½ per cent error spread.

A big Western central tabulating department gives preferential pay ratings to operators who process 2,000 cards without error in a five-hour test, and reports that this preferential rating system keeps their error margin down to ½ of 1 per cent.

—*Management Methods* 1/52

New Inter-Office Facsimile Wire System

A FACSIMILE TELEGRAPH SYSTEM developed by Western Union is expected to speed up, to a hitherto unheard-of degree, inter-office and inter-branch communications in virtually all lines of business. It now links 15 large New York banks to the Federal Reserve Bank of New York for the purpose of effecting money transfers.

The banks may now dispense with, or transfer to other jobs, messengers who have been carrying the money-transfer requests back and forth. Clerks fill in a form, carrying an authorized signature, and place it on a metal drum in a small machine that whirls the form before a tiny electronic "eye." The eye, in turn, sends an exact reproduction of the form to the Federal Reserve Bank, which then makes the transfer by telegraph over its own wires.

The new system, which is called Intrafax, can be rented by the month. In many cases, its use may permit considerable economies on messenger and clerical costs, as well as indirect savings through increased efficiency.

—*Journal of Commerce* 10/15/52

NEVER let difficulty stop you, for it may be only a sidetrack to stop you from skidding.

—*Friendly Chat* (Scott Printing Co., Jersey City, N. J.) 7/52

Also Recommended • • •

A BASIC PLAN FOR RECORD RETENTION AND DESTRUCTION. (Management Controls Division, Remington Rand, 315 Fourth Avenue, New York 10, N. Y.). Gratis. This booklet describes how a practical records retention plan can be organized and put into operation. One of the most important steps in such a plan is to decide on the disposition of records at the time they are created and to develop a method of classifying them that will indicate how long they should be retained within the department where they originated and their ultimate fate among other company records.

JOB EVALUATION AND THE WHITE COLLAR WORKER. By J. W. Quigg. *The Office Economist* (Art Metal Construction Co., 369 Broadway, New York 13, N Y.), September-October, 1952. Control of the unit cost of productive output should, the author believes, be the objective of every job evaluation plan and the guiding principle of its development and administration. The specific application of job evaluation to clerical work is discussed, and its importance pointed up by the assertion that, while many clerical supervisors regard "production" as something outside their province, the productive efficiency of clerical workers averages only about 60 per cent.

COST-CUTTING CONTROLS IN RECORDS MANAGEMENT. By Emmett J. Leahy and Arthur Barcan. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), July, 1952. This article considers two problems involved in records control: (1) control of records creation, and (2) control over maintenance of existing records. In connection with the first point, the authors discuss how forms control saves money, how it can be initiated, and the factors to be considered in designing forms. In considering the maintenance of records, they point out how to determine which items are vital and should therefore be maintained, how these vital records can be protected, and the factors involved in centralizing current files.

THE USE OF PAPER—ITS PURPOSE AND PERFORMANCE. By Walter J. King. *The Advertiser's Digest* (415 North Dearborn Street, Chicago 10, Ill.), November, 1952. So many kinds of paper exist that everyone concerned with printing, duplicating, or hand-writing operations should know the use and performance of the various types. This article discusses the characteristics of different pulp classifications and outlines the points to consider in selecting paper for any particular job. The author emphasizes that such selection should never be made by fiber content alone, but should be determined by printing requirements and use.

RECORDS DISPOSITION. By Paul G. Purington. *The Internal Auditor* (120 Wall Street, New York 5, N. Y.), June, 1952. Costs of maintaining a four-drawer file in a typical office can be reduced as much as $54 per year, this article points out, and equally great potential savings can be realized on records in storage. A records plan which should be helpful in achieving these savings is outlined here.

THE RIGHT LIGHTING FOR THE RIGHT JOB. By R. L. Oetting. *American Business* (Dartnell Publications, Inc., 4660 Ravenswood Avenue, Chicago 40, Ill.), October, 1952. Since it reduces the return on management's personnel investment, an inadequate office lighting system is likely to prove an unnecessary expense rather than an economy, this article points out. Enumerating some possible solutions to specific lighting problems, the author shows how ideal lighting can have a definite influence on office productivity.

NORTHWESTERN BELL TELEPHONE, dissatisfied with the high rate of turnover among its 200 stenographers, conducted a survey to discover the causes. The major complaints, it found, were against dictators who ask for one revision after another, look upon a stenographer as an errand girl, carry on long telephone conversations in the midst of dictation, or regard a stenographer as a piece of office furniture, never bothering to learn her name.

—*Supervisor's News Service 7/7/52*

Manufacturing Management

TIGHTENING WORK STANDARDS

IT IS QUITE evident that a widespread deterioration of work standards has taken place in American industry. A recent study of 12 selected companies employing between 300 and 2,500 workers reveals that if the average employee were working at a pace which might reasonably be considered "a fair day's work," he could increase his output by 25 per cent to 100 per cent of present production.

But it is not enough simply to point out that extreme inefficiencies in labor utilization exist. How, as a practical matter, can worker productivity be increased, particularly under adverse conditions of increasing raw material costs, tight labor supply, and rising wages such as we have now?

The one solution which the experience of the 12 companies studied points to is plantwide revision of work standards. As a result of following such a program, the majority of these companies achieved a real reduction in labor costs—in one case amounting to 42 per cent.

However, certain problems may arise from plantwide standards revision. Therefore, any company that is contemplating such a program should consider carefully the following general areas:

Development of a Plan. It is essential that management make the most detailed plans for launching the program. Only after such matters as effects on take-home pay, wage guarantees, and output requirements have been examined should policies be established. Also, policy provisions should be reduced to writing for presentation to the union officers, and their application to individual situations studied before announcement of the program.

Communication with Workers. Announcement of the program should contain an explicit statement of objectives, providing specific answers on how each group will be affected.

Training sessions for supervision are indispensable in this situation; unless the supervisors and foremen themselves are adequately informed about the program, their misinformation can lead to contradictory statements. There should also be training sessions for the workers, covering the mechanics of the methods for setting standards. Union officers in particular should be constantly and completely informed on every aspect of the program; this is one way to demonstrate management's good faith, and is also a means of allaying the uncertainties that are bound to arise in the minds of the workers and their representatives.

Anticipation of Resistance. Deep-seated resistance to the program of standards revision should be anticipated, for such a program arouses all the latent fears of wage reductions, layoffs, insecurity, and speed-up.

In general, management can best cope with this problem by (1) establishing specific provisions to meet anticipated objections, (2) adopting a flexible policy for coping with unforeseen developments, (3) formulating promises and guarantees only to the extent that it is sure it can

meet them, and (4) fully disclosing its intentions for union and worker discussion.

Collective Bargaining. The company position is influenced by the terms of the existing contract with the union. If the contract contains a clause defining the conditions under which standards may be revised, then the proposal for a program of standards revision must include a request that the clause be suspended or abrogated. On the other hand, if the contract contains a so-called "management clause," reserving all matters not specifically covered in the contract to management's discretion, then the company may not be bound under the Taft-Hartley Act to bargain with the union on the terms of the proposal.

In any event, management may find it good policy to plan to give an increase in take-home pay in exchange for a new set of standards and increased productivity. On the basis of the evidence of this study, an increase in earnings of between 10 per cent and 20 per cent is enough to increase output more than proportionately.

Use of Business Consultants. The employment of a consultant has several advantages. The fact that the consultant is an outsider enables him to gain the workers' confidence in a way that the company's engineers never could. Also, by making his own engineering studies, he reassures workers and union representatives that the program is not simply another disguise for a "speed-up," thereby convincing them of the company's intentions to treat them fairly.

However, a consultant may do more harm than good if he is not selected properly. In general, successful completion of similar assignments is the best criterion for judging the competence of the consultant firm.

Technique for Setting Standards. So far as the workers' and union officers' acceptance or rejection of the program is concerned, the particular technique selected to establish standards—whether it be leveled time studies, collection of standard data, or a system such as methods-time-measurement—does not weigh heavily in the balance.

However, more and more emphasis is being placed on the writing of job descriptions. It not only sharpens the analysis of job methods but, in addition, provides an accurate record of the details of the job covered by the standard.

Installation of New Standards. Employee opposition may culminate in a walkout during the period of actual installation unless the process is skillfully handled. There are three important considerations which can help to minimize trouble: (1) the way in which the new standards are introduced into a department, (2) the order in which installations are made, and (3) guarantees of earnings.

With respect to the first point, it is important to remember that careful, individual attention by standards personnel to each new installation is essential. The degree of opposition is much less when a standards man stays with each worker during the first hours he works under the new standard, helping him on the job and, in general, giving him complete assurance.

In determining the order of installation, engineers should start with the department where the least drastic changes are anticipated. If departments where serious dislocations are not involved can be switched over to the new standards, the employees of these depart-

ments will exert social pressures on succeeding departments so that they in turn will be more likely to accept the new standards.

As for guaranteeing earnings, it may be desirable to provide that individual earnings are to be maintained at a level comparable to some base period until such time as earnings under the revised standards exceed the guarantee. However, since employees who work under guaranteed earnings may begin to look upon these hourly earnings as their base rates, the time studies for the new standards should be completed in the shortest possible time so as to reduce the period during which the guarantee applies. Furthermore, it is advisable to set a maximum time period for the operation of the guarantee after the new standards are installed.

Handling Grievances. Once the program has been agreed upon by the company and the union and the installation of new standards has begun, there is likely to be a heavy flood of employee grievances, which the regular grievance machinery may be unable to sustain. It may therefore be advisable to establish a special panel of union and management representatives to consider and act upon employee objections stemming from the revision program.

—H. EDWARD WRAPE. *Harvard Business Review*, July-August, 1952, p. 64:11.

BETWEEN 1900 AND 1950, national production per manhour rose from about 51 cents (in terms of 1949 prices) to $1.83, according to a Committee for Economic Development study.

NEW PRODUCT DEVELOPMENT — A STUDY OF COMPANY PROCEDURES

A GROWING AWARENESS of the contribution which new products can make to company growth is causing management to show increasing interest in research and development procedures, according to a recent study by the Conference Board.

Examination of the research and engineering aspects of new product development reveals that four types of research facilities are used: research laboratories, engineering departments, pilot plants, and experimental stations. Choices of location and design of these units are governed by operating needs, costs, company products, organization, and size of the research budget.

Though there is a strong trend toward the construction of isolated research centers, the majority of company research and development laboratories are still located within plant areas. This is advantageous because services provided by other company departments (such as maintenance and production) can be used more conveniently; research overhead costs are reduced (joint use with other company departments can be made of plant guards, receptionists, employee cafeterias, and the like); the benefits of close contact between "theoretical" research men and "practical" production men are provided.

Some of the advantages of locating research laboratories away from plants are reported to be: minimization of the number of routine jobs handled by the laboratory; simplification of confidential handling of projects when secrecy is important; and the possibility of location near university centers and consultants.

Companies say they frequently supplement their own research facilities by contracts with universities, trade associations, and independent laboratories. These can absorb peak work loads, provide specialized equipment and, in effect, increase the size of the company's staff and facilities for periods of a year or more. As a percentage of total research expenditures, however, the amount spent for outside work by most firms is relatively small.

Three types of problems are reported to arise in dealing with research and development personnel. These are recruitment, policies, and organization.

Virtually all firms report that they rely on campus recruiting as the prime source of junior technical men. The majority of firms, however, recruit some senior men on the basis of their records and fields of specialization in order to maintain a well-balanced organization and to meet expansion needs.

Among the reporting companies basic personnel policies governing research staff working conditions are the same as those for other company departments. However, training programs, salary levels, nonfinancial incentives, and means of recognizing research achievement are often different and are generally designed to promote a strong desire for individual achievement.

Because the research organizations are usually tailored to individual company needs, both the location of research within the company and the organization of research activities vary widely. Some firms grant research and development full departmental status. Others make these activities a division of a larger department or convert them into a research subsidiary.

Similarly, there is great variation in the

functions of development groups. In most companies, the department's primary responsibility is for the development of new and improved products and processes. In some instances it is also responsible for the physical design and construction of manufacturing plants, for patent functions, for technical service problems, and for economic evaluation of existing and proposed products.

The flow of development in the firms surveyed is controlled by frequent review of all projects. Committees and informal conferences are used to assign priorities, schedule approved projects, authorize abandonments, and coordinate development progress. Efforts are made to bring varying viewpoints to bear on each problem and obtain agreement of all interested department heads when differences of opinion arise.

Cost controls used provide both a justification for research appropriations and a means of controlling development costs. In general, budgets are established by projecting costs by classes of expense, or by totaling the probable expenditures of each project.

THE AUTOMATIC FACTORY: TRENDS AND PROSPECTS

In the past few years tremendous strides have been made in the development of instruments that identify machine errors, decide what is wrong, and make the necessary adjustments without human intervention. In processing industries production is almost completely automatic, and it may not be long before manufacturing follows suit. When it does, these will be the results:

1. Old traditions in product design and production methods will give way to entirely new ideas, which will in turn change the marketing and cost pictures in whole industries.

2. The whole business of product design and manufacturing process will be approached differently. Product, process, and plant will be planned together on the drawing boards. Machine design will change, too.

3. The low ratio of labor and material cost to plant investment, per unit of output, may stabilize prices over the long run in industries that automatize.

4. The unskilled laborer will practically disappear. Though the automatic factory doesn't wipe out the need for human labor, it does require fewer workers but with higher skills.

5. Incentive systems will have to be regeared to cover a large percentage of indirect labor. Also, companies will measure performance and earnings in terms of equipment utilization rather than individual effort.

6. Longer and harder training will be needed to upgrade existing employees to higher skilled jobs.

The most fertile fields for self-regulating equipment are industries where quality control is highly developed, skilled operators are at a premium, or cost is low compared to total plant investment. Automatic controls become essential when quality standards reach a point where discrimination is beyond human ability—or where the process involves extreme speeds, temperatures, pressures, etc., that make human controls impossible or impractical.

These factors have speeded development of automatic devices in chemicals, petroleum and other process industries.

How much will automatization cost? New plants, designed for automatic control, will be cheaper to build than traditional plants, since self-regulating machines, which don't need operators, can be designed without expensive safety features. Drastic space savings are also possible. However, the estimated cost of converting existing plants is surprisingly low. One expert estimates that it ranges from a low of .5 per cent of total equipment cost for chemical and oil refining to 19 per cent for meat packing. The average for selected major industries is 6 per cent.

Experts, while discouraging piecemeal conversion, do admit that automatic production methods will pay off for a single process—if it is the key production step and is a fully self-contained operation. Consider the possibilities in the following situations:

If a bottleneck arises. In this case, the output of existing machines can perhaps be increased through special fixtures, without the necessity of buying new equipment.

If machines are running at less than desired capacity because of slowness in manual loading and unloading. A wide variety of mechanized material-handling equipment is available for use with automatic production. Small companies, particularly, should investigate the devices which have been developed for small and medium-size machines.

If there are continuous runs of complicated metal parts. Here, robot control of machine tools may simplify production. For example, a robot machine operator, designed by Daco Machine Co., works with perforated tape that produces varying voltages in a "sensor," which, in turn, controls the movement of selsyn motors mounted on the machine tool. These motors actuate the cutting tool so that it machines accurately even the most complicated parts.

The trend in automatic controls is along two lines: Complex instruments, which scan several variables at once, are replacing simpler devices. Also, more stress is being laid on primary measurements; molecular weight, for instance, will be measured directly with such instruments as the mass-spectrograph, instead of indirectly by viscosity measurements.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), September 9, 1952.

AMA FALL MANUFACTURING CONFERENCE

The Fall Manufacturing Conference of the American Management Association will be held Wednesday-Friday, December 3-5, at The Hotel Statler, Cleveland.

Productivity and Central Government Control

THE UNITED STATES produces more per manhour than any other country in the world, figures compiled by the Bureau of Industry, Queensland, Australia, reveal. During 1947, production per manhour in the United States was over eight times larger than in Russia and twice as large as in Britain. Compared to a base of 100 per cent in the United States during 1939, Russia produced only 17 per cent as much per manhour; England only 58 per cent; Japan only 19 per cent; and Germany only 49 per cent.

The relatively free nations, in terms of central government control, most closely approximated the productivity of the United States: Canada in 1939 produced 75 per cent as much per manhour; Australia, 66 per cent; and New Zealand, 86 per cent.

It may be pure coincidence that, in countries with the most central government control, production per manhour is relatively low. However, a more probable reason may be the fact that individual incentive to improve is lessened as the chance for individual gain is decreased. Possibly, too, the advantages of many brains and abilities acting individually produce better results than a few brains and abilities acting collectively. Finally, government welfare plans may very well lessen the need for individuals to strive to better conditions in order that they may have a better living.

If these latter reasons are true, it becomes a matter of definite concern to us to see that we do not have our incentives to produce removed. We must not allow a central government, grown big during emergencies, to remain big after the emergency has passed. This is an ever-present danger, for power, once tasted, is very sweet indeed.

—LEONARD J. BISBING in *Marquette Memo* 3/52

Patent Agreements for Employees: A Survey of Company Policies

FORTY-THREE OUT OF 48 COMPANIES covered by a recent Conference Board survey make the signing of a patent assignment agreement a condition of employment for some or all their employees. Of the remaining five firms, two, in lieu of formal written agreements, have an understanding with their workers to secure rights to inventions which are developed on company time or in which the company has an interest.

All of the 43 firms that have adopted the written agreement require it of every technical worker. Nineteen ask executives and supervisors to sign as well; 11 extend the requirement to service and sales employees, and one to production employees. Ten firms require agreements of all their workers, and 11 list accountants, draftsmen, shop methods men, and patent attorneys among those who must sign. Seven of these latter firms, without specifying employee categories, indicate that any person whose work might lead to inventions must sign a patent agreement.

Employees in 22 of the 48 companies surveyed receive extra compensation in consideration of the patent assignment. Several other firms have special award plans to encourage inventions, while still others offer rewards through bonus plans for outstanding service.

THE AVERAGE WORKER'S real wages per hour will double in the next 30 years if the productivity rate of the last half century can be maintained, according to the Committee for Economic Development.

Also Recommended • • •

MAJOR CONSIDERATIONS IN INDUSTRIAL PALLETIZATION. *Good Packaging* (210 Mississippi Street, San Francisco, Calif.), September, 1952. The phenomenal increase in the use of pallets for industrial raw materials handling, production, warehousing and storage, finished goods handling, and transportation is analyzed in this article, which reports the results of a comprehensive nationwide survey made by the U. S. Department of Commerce. Besides discussing the extent of palletization in various types of industry, it enumerates the advantages that manufacturers have found in the use of pallets, and suggests remedies for some problems, such as container design, that palletization has created.

NOISY INDUSTRIES SHOULD INSTALL HEARING CONSERVATION PROGRAMS. By Joseph Sataloff. *Occupational Health* (available from Superintendent of Documents, Government Printing Office, Washington 25, D. C. 10 cents), October, 1952. The legal and financial difficulties that beset noisy industries when their employees suffer hearing impairment make the advantages of a hearing conservation program obvious. The author outlines a program, employing noise analysis, preplacement and post-exposure testing, and careful interpretation of audiometric results, which can contribute much to the development of reliable safety standards in these industries.

WHO SAYS WHAT TO BUY. By Leslie F. Robbins. *Purchasing* (205 East 42 Street, New York 17, N. Y.), August, 1952. The factors to be considered by the purchasing agent in determining how much responsibility his department should assume in writing purchasing specifications are discussed in this article. Among these are the size of his staff, their knowledge of materials and their use, and the degree to which the production and other departments are qualified, or better qualified, to make specifications.

IS THERE A COMMON DENOMINATOR FOR ACCIDENT-PRONES? By Mary Tydlaska. *Safety Maintenance & Production* (75 Fulton Street, New York 38, N. Y.), September, 1952. To determine whether accident repeaters have other traits in common, the Columbia Southern Chemical Corporation made a statistical analysis of the pre-employment test scores of accident-prone workers as compared with those of accident-free employees, the results of which are presented in this article. One point brought out by the study was that individuals who have had fewer industrial accidents seem to possess a higher degree of mechanical interest than individuals with a record of frequent industrial accidents.

HOW TO DEVELOP A STANDARDIZATION PROGRAM. By Willis S. MacLeod. *Purchasing* (205 East 42 Street, New York 17, N. Y.), August, 1952. The principles involved in the development of a standardization program for the supply department are discussed here by a federal supply expert. Inspection and testing, methods of developing a standards catalogue, and the advantages of employing a permanent standards engineer are some of the topics Dr. MacLeod treats in this second section of an article on the standardization program as a whole. Part I, dealing with the ways in which standards aid the various phases of the supply program, appeared in *Purchasing's* June issue.

LABOR COST CONTROL CAN REDUCE . . . *Plant Administration* (481 University Avenue, Toronto, Canada), July, 1952. This article describes the main features of one type of labor cost control system aimed at reducing nonproductive work, scrap, delays, and setup time. Under the system the time spent on all work in a department is recorded, the work done is classified according to whether or not it was productive, and a labor utilization picture is presented to management to enable it to take steps to correct any uneconomical practices. One feature of this plan is the use of roving checkers, rather than the operators themselves, to record the time spent on each job.

LEARNING ALLOWANCES FOR NEW OPERATORS THAT ARE EASY TO APPLY AND ARE WORKABLE. By W. B. Glassford. *Manufacturing and Industrial Engineering* (73 Richmond Street West, Toronto 1, Canada), June, 1952. Determining the learning time required for a new operator in a group to reach standard has long been a difficult problem for the time study department. This article describes a method for solving the problem, which has been found workable in a wide range of jobs. The method, a variation of job evaluation techniques, is based on the rating of each job according to five factors, each of which has been divided into five degrees of complexity.

PUSHING SALES WITH PUBLICITY

WITH THE DISAPPEARANCE of the easy sale, management is studying the chemistry of what actually produces an order: Is it the salesman's performance? Advertising? Extra services? Company prestige? In these deliberations, few remember to include publicity.

What role does publicity play in producing sales and what are its limitations? Publicity designed to dovetail with a company's merchandising, sales-promotion, and advertising objectives can be used to find markets for new products, uncover new users for present products, indicate advertising approaches, stimulate salesman and dealer efforts, and precondition buyers for brand acceptance. For example, coordinated publicity brought in 342 inquiries (and at least 16 sales) to the Franklin Railway Supply Co. on a new restaurant pot-washing machine; sparked 4,000 consumer requests (all passed along to dealers) for a giveaway from Martin Senour Co.; and raked in 1,337 prospect inquiries for the Baker Industrial Truck Div., Baker-Raulang Co., from January to April of this year.

All publicity, however, cannot be expected to produce direct, dollars-and-cents results any more than can paid advertising. Nor does publicity serve as a cheap substitute for advertising. No publicity story, broadcast, or telecast can ever employ the hard-selling language of an ad, quote prices, or tell people where to buy. On the other hand, an advertisement, signed and paid for, rarely achieves the independent, objective tone conveyed by editorial mention. Together, however, advertising and publicity can work out a happy marriage blessed by many healthy sales.

In judging whether your company is getting its full sales benefit from publicity, ask yourself these questions:

1. Is our publicity a coordinated—and recognized—arm of marketing?

2. Are the objectives of our publicity program clearly defined?

3. Are we putting publicity know-how into the hands of dealer or distributor outlets so that they can supplement our efforts?

Where publicity is concerned, coordination is half the battle. For example, when Dayton Rubber Co. decided to introduce a new baby mattress, its public-relations counsel came into the earliest planning, along with the marketing research and sales people. Result: The publicity staff was able to canvass editors of juvenile trade papers for their suggestions on merchandising, pricing and markets for the new product. Editorial stories on the mattresses were timed to build up interest in the trade before any ads were released. Too, the publicity material was crammed with selling ammunition obtained from the buyers, editors, and the salesmen themselves who had worked on the project with publicity. This type of sales push cannot be developed by a company whose publicity is limited to routine announcements of new products or new appointments, however.

Management should bear in mind, too, that publicity's results cannot be tied directly to the cost. Some companies can get direct sales from small appropriations or from a single staff man—if he's good and knows how to service news outlets. Others must use elaborate programs only to register consumer impressions.

In determining how much publicity should cost and what form it should take —press party, plant tour, newspaper stories, or magazine articles—look to the objectives of the program: What do you want to publicize? Why? To whom?

Thus a company selling heavy equipment for manufacturers needn't dissipate publicity on consumer media; and a company seeking a specialized market doesn't have to canvass all trade papers. By the same token, where mass impression is sought for consumer products, media reaching the greatest number of people should be employed.

Over-all, the noncommercial article that does not plug away at your company's product but offers the generic information editors seek (and readers respect) finds better acceptance in national industrial, business, and technical publications. Many companies miss an excellent publicity bet by their reluctance to cooperate in gathering material unless it represents a virtual advertisement. Remember that editors, once they know a company's reputation for helpfulness, will initiate requests for special stories that the company itself might not have initiated.

For many companies another big question in reaping results from any publicity undertaking is: Do our outlets know how to get their share of local publicity? Any manufacturer dealing in consumer goods faces this problem, for national publicity can go only so far to set the pace; sales are made locally.

One company which gives its dealers a complete, though condensed, course on how to toot their own horns locally is Culligan Zeolite Co., Northbrook, Ill. This company licenses and supplies 1,075 dealers to do home soft-water installations. Culligan supplies these outlets with a complete publicity handbook telling them how to appraise their own activities for publicity stories; how to work with the press in preparation of editorial material; how to supply photographs; how to prepare for and publicize special events like open houses, anniversary celebrations, contests, film showings; and how to capitalize on participation in community affairs. It also provides sample press releases and tips on what newspapers want and don't want.

—*Modern Industry,* August 15, 1952, p. 52:5.

AMA MARKETING CONFERENCE

The Marketing Conference of the American Management Association will be held Monday-Wednesday, February 9-11, at The Hotel Statler, New York.

THE RETAIL OUTLET: POINT OF NO SALE

IN A RECENT SURVEY, three *Fortune* reporters spent a month visiting retail outlets in a five-state area from New York to Delaware. Their objective: to find out how well manufacturers' advertising and promotion are exploited at the payoff point.

Entering a drugstore, the reporters would wait until the clerk was free, then amble up and say that they wanted razor blades. After a pause pregnant enough to provoke a suggestion as to brand and size, they would say, "Oh, I guess a pack of Gillette Thins . . . small package." Then, while waiting for the clerk to ring up the change, they would let their eye be caught by a counter display. Leaning over, they would peer at it intently, and finally pick up one of the packages and stare at it, gripped by indecision.

What happened? Nothing. Only one out of every seven clerks uttered any word. The rest stood silent—or, sometimes, hurried off to catch a smoke or resume an interrupted gossip session.

The reporters deployed to other kinds of outlets. When, at length, their experiences were put together, it became clear that manufacturers' advertising and display were not only being dissipated but undermined in retail stores.

Eight deadly selling sins emerged from the total picture:

1. *Salespeople play a negative role.* Their passiveness seemed to reflect a conscious attitude on the part of salespeople that their function is to make change and wrap packages, but not to influence the customer.

2. *They do not uptrade the purchase.* Salespeople rarely suggested a larger size or a higher-priced brand. Indeed, they often tended to *downtrade* the reporters to smaller purchases.

3. *They do not suggest companion sales.* Aside from the perfunctory "Will there be anything else?" . . . "That all?" or similar repellent queries, salespeople rarely tried to anticipate other needs the customer might have. Even when the reporter virtually begged for a suggestion, none came forth.

4. *Salespeople overemphasize price.* Except when a saving is offered on a standard item, price is the factor about shopping that the customer most dislikes. Yet repeatedly salespeople would open the discussion with such surefire stoppers as "That's $69.50" . . . "It'll run you into money."

5. *They do not play up to the customer's desires.* When the clerks did make any sales points, they were usually from the wrong side of the counter ("This is a big item with us"). Much more infrequent were points suggesting that the purchase would do something for the customer as well as for the store.

6. *Salespeople have little product knowledge.* Not only are salespeople unfamiliar with the manufacturer's advertising; they are so unfamiliar with the product that they can't explain what is in it, much less what it will do.

7. *Salespeople have not been sold by the manufacturer.* Far more serious than the lack of specific product knowledge was an almost automatic assumption on the part of many salespeople that it probably wasn't much good anyway. Some questions elicited a confidential skepticism, as if the clerk wished to ingratiate himself by showing that he was playing

the same side of the street as the customer.

8. *Salespeople don't know how to "close."* The petulance frequently displayed at the reporter's indecision indicated that some of the salespeople would have liked to make the sale; but few were acquainted with any clinchers or even with the simple device of asking for the order.

Is it economical to train salespeople in selling techniques? According to a popular theory, the native ability of America's retail salespeople is so low that any large-scale training effort would be wasted on them. This was not evident from the survey. Few of the salespeople were hopelessly stupid, though most were poor in sales technique, and seemed to lack a sense of individual dignity. The evidence is strong that if they were taught how to sell—and given a good incentive for selling—they would sell more, serve the customer better, and incidentally get a great deal more fun out of their work.

—*Fortune*, July, 1952, p. 81:2.

The High Mortality of New Products

ABOUT 98 PER CENT OF ALL NEW PRODUCTS prove to be failures from a marketing and profit standpoint, Peter Hilton, president of Hilton & Riggio, declared in an address before the Young Presidents' Organization. Basically sound, worthwhile products, even when introduced by the largest and most successful manufacturers often fail dismally.

Almost unanimously, 200 leading packaged-goods manufacturers covered in a survey stated that the cost of launching a new product was often more than had been anticipated, while about 70 per cent reported that introducing it required a longer time than they had planned. Asked to rate five causes of failure in order of importance, manufacturers listed: lack of a well thought-out marketing program; lack of pre-testing of product with consumers; lack of market testing; insufficient product research; and lack of package pre-testing. It appeared, too, that pricing was one of the most important decisions to be made regarding a new product, and that manufacturers had frequently failed, in their planning, to give adequate thought to the gradual, but very definite, changes taking place in industrial marketing practice.

Several manufacturers said that after a new product was introduced, wholesalers and consumers had gone through an initial splurge stage that tended to encourage false optimism in the maker. Then, they said, trade and consumer curiosity had waned, and sales had slumped. This was the crucial period, for management might be tempted to write off the product as a dud, deserving of no further expenditures, precisely when it should be devoting more money to study and research on the product, merchandising, and advertising.

—*Advertising Age* 9/22/52

RETAILERS have finally discovered that grandmothers are big buyers so far as children are concerned. Since they tend to spend more money on their granddaughters or grandsons than the parents, some stores are holding special children's fashion shows to which only grandparents are invited; this will be a feature of some Christmas promotions.

—*Back Talk* (J. M. Kesslinger & Associates, Newark, N. J.) No. 62

WHAT 92 COMPANIES ARE DOING ABOUT SALES TRAINING

EVERY YEAR, thousands of men are hired for sales jobs who have had no selling experience. Some of these men have been trained in salesmanship in school, but even these, most sales executives feel, need additional training in the specific sales procedures and sales problems of the company. Firms recruiting experienced salesmen must also train them in the handling of their particular product.

How much time should be allotted to such training programs? This depends on how much information the new salesman must acquire in order to do an adequate job of representing his company. Many companies combine some form of headquarters training with a more lengthy period of field training. One company selling heating equipment, for instance, plans on two to three months in the factory and office, depending on the individual. A clothing manufacturer has a program of two weeks office training and two to four weeks of field training. A commercial and industrial lighting company allots 10 days to six months to training its salesmen the first year.

It is difficult to evaluate on a percentage basis the content of most sales training programs. The composite picture of 92 companies recently surveyed shows that 38.9 per cent of the training program is devoted to product information; 33.5 per cent to basic selling information; 18.9 per cent to technical information; and 8.7 per cent to market information. However, no single company had this exact breakdown.

The Island Creek Coal Sales Company, for example, devotes about 25 per cent of its training program to basic selling procedures; 25 per cent to product information; 40 per cent to technical information; and 10 per cent to market information. Island Creek recruits men both with and without previous selling experience.

A heating equipment company finds that new salesmen need a program 30 per cent of which is devoted to basic selling procedures, 30 per cent to product information, 30 per cent to technical information, and 10 per cent to market information. On the other hand, in a refresher-type training course for its regular salesmen, the company uses a 50, 20, 20, and 10 per cent breakdown.

A Pacific coast men's clothing manufacturer, employing experienced salesmen, devotes 15 per cent of its program to basic selling procedures; 65 per cent to product information; 15 per cent to technical information; and 5 per cent to market information. Product information is of greatest interest and use to the new salesman.

What aids are used in company training programs? The survey revealed that 27 different training aids were in use. These include movies, product demonstrations, manuals and catalogs, visual aids, flip charts, bulletins, skits, field training, lectures, quizzes, training at point of sale, correspondence courses, contests, seminars. Many companies used several of these aids. Visuals carry the bulk of the load, it was found, with printed materials a close second. There was no apparent correlation between the number of different aids used and the quality of the program. Indeed, some of the programs developed are models of simplicity as far as use of training aids is concerned. One company, for ex-

ample, in a 12-week course, uses movies only a few minutes during the entire program. However, these movies are highly effective.

The role-playing approach is also important in sales training. One of the principal advantages claimed by some executives is that role-playing can be substituted for lengthy and expensive field training. Ford Motor Company, for example, used role-playing in a training program designed to increase their parts and accessories business. The once-a-week meetings were planned to provide the salesmen with a knowledge of field conditions and sales situations without the expense of lengthy field experiences. It was estimated that the men were trained for $250 each, as compared with $1,500 to $2,000 under direct field training conditions. The Servel Company also tested role-playing as a part of its training program in Minneapolis and, as a result, doubled refrigerator sales the first week.

Many firms are also using refresher training courses for regular salesmen who are being lulled to sleep by increasing sales volume that may not be in line with increasing potential. However, the reaction of many of these salesmen is just short of violent at the idea of again "going to school." For this reason, round-table discussions, seminars, panels, and similar methods are more palatable and, generally, more helpful to the experienced salesmen.

—*Dartnell Sales Service* (Chicago 40, Ill.), No. 620.

THE ROBOT CLERK—TOMORROW'S RETAIL SALESMAN

As more products are presold through advertising and other means, the number of lines requiring intensive demonstration decreases. However, preselling *alone* cannot move merchandise in the gigantic volume necessitated by the rapid growth of our economy. In non-food outlets, as in the food supers, preselling must be supported by other techniques. Hence, the development of the *robot clerk*, a means for presenting mechanically the salient selling features of a product.

Here are some developments the future may hold in store for this technique:

1. *Electronic machines* have already begun to revolutionize retail accounting. Goldblatt Brothers, Chicago department store chain, has just installed an electronic system of punched as well as marked price tags; manual sorting for inventory and sales checks is thereby eliminated. Similarly, electronics will be the basis of many new types of demonstration devices. Several refrigerator companies have already experimented with electronic devices that give automatic demonstrations when the refrigerator door is opened.

2. *New radio transmission techniques*, now being adapted by large corporations for intra-organizational communication over great distances, will be used for the communication of demonstration talks from manufacturer headquarters to thousands of store units simultaneously. It is entirely probable that ultimately all large retailers will be hooked up for this sort of reception.

3. *Intra-store television* will ultimately be developed and put to work in retailing.

This device holds vast promise for cutting the number of sales people.

4. There will be demonstrations in retail stores over *broadcast television* via closed-circuit types of hookups.

5. *Sound film* will be used increasingly in retailing. Some pioneering steps have already been taken in this direction.

6. Many new types of *motion displays* that will provide continuous mechanical demonstration will be developed. Recently a new type of lawn sprinkler achieved unusual success with such a demonstrator.

7. Some manufacturers will turn to adaptations of the *demonstration-crew* program that has been used for years by cosmetic companies, makers of foundation garments, etc. There will be traveling demonstrator crews fully equipped with unique devices and fully trained to use them.

8. Devices will be developed that will enable the shopper to *self-demonstrate*. Such devices have already been developed by the Universal and Lewyt vacuum cleaner companies.

9. Automatically-operated *slide devices* with sound tracks will be utilized.

—*Grey Matter* (Grey Advertising Agency, Inc., New York, N. Y.), September 15, 1952.

Improving Sales Techniques: Some Do's and Don'ts

THERE ARE MANY sales approaches to which retailers object—and others which they welcome in supplier solicitations. The following checklist should be helpful in appraising your company's approach and in finding possible clues to improving its sales curve this year:

DON'T:

1. Dump your catalog in the prospect's lap and expect him to figure out the price groups, relative markups, special-promotion items, sales appeal, and special features.

2. Assume that he *has* to buy from you because your prestige line is necessary for his stock.

3. Wait for him to ask for sales training and merchandising aids before offering them to him.

4. Think that a single congratulatory note to a new buyer will bring him running with his orders.

5. Sell solely by disparaging your competition.

DO:

1. Find out what the prospect needs in the way of help from you and then supply as much as you can—from tips on regional buying habits to suggestions for cutting the freight bill.

2. Offer merchandising ammunition on special promotions, sales training and advertising.

3. Arrive prepared to talk specification buying, or at least ready to report back quickly when additional information is requested.

4. Leave complete descriptive literature with the prospect for further consideration.

—*Modern Industry* 7/15/52

Are Prices Really Too High?

AUTOMOBILES, houses, woolen floor coverings, men's shoes, and haircuts cost too much today, but 10 other typical consumer goods and services are fairly priced. That, at any rate, is the opinion of a majority of 200 leaders in advertising marketing, public relations, and related fields covered in a recent poll.

Sixty-five per cent of those questioned think TV sets are fairly priced, while 26 per cent disagree; 69 per cent believe that small electric appliances are priced about right, with only 24 per cent disagreeing; and 77 per cent similarly approve of refrigerator prices, while only 15 per cent disagree. None think durables prices are too low today, however (except for 4 per cent who regard TV sets as underpriced); some 67 per cent, in fact, of those questioned report that the price levels are affecting their own buying plans at present.

With respect to soft goods, 50 per cent think the price of men's suits is about right, and 47 per cent think it's too high. Seventy-one per cent think men's shirts are priced right, and only 26 per cent disagree; 58 per cent consider men's hats reasonably priced, while 26 per cent do not.

As for personal services, 76 per cent think dry-cleaning costs are fair, 72 per cent think shoe shines are priced right, and 64 per cent believe that laundry bills seem plausible. One item—manicures—turned out to be a poser: while 42 per cent called prices about right and 25 per cent said too high, 32 per cent simply had no idea.

—*Tide* 5/30/52

The Vending Machine Industry: Ceiling Unlimited

THOUGH THEY ACCOUNTED FOR LESS THAN ONE PER CENT of total retail sales last year, vending machines were responsible for 20 per cent of all cigaret sales and 16 per cent of candy bar volume, besides scoring spectacular gains in sales of hot coffee and cup beverages.

Some 250,000 new machines were put into operation last year alone. Among products now being vended—in addition to candy, gum, cigarets and beverages—are books, combs, doughnuts, crackers, fruit, postcards, hand lotion, tissues, handkerchiefs, hosiery, ice, hygienic supplies, ice cream sandwiches, towels, newspapers, paper cups, nuts, perfume, pencils, soap, popcorn, and razor blades. Now largely concentrated in factories, business offices and military posts, the vendors are being installed in increasing numbers at railroad and bus stations, airports, restaurants, theaters, and apartment buildings.

With every reason for optimism, vending industry leaders do not foresee any possibility that their machines will eventually replace the supermarket or become a comparable giant in retail distribution. One prominent executive puts it this way: "The role of the vending machine, as we see it, is simply to make goods available wherever personal selling is unprofitable or impractical."

—*Advertising Age* 9/22/52

Why Salesmen Don't Sell

ANY DIAGNOSIS of the present-day salesperson's faults is likely to reveal some discouraging facts. Inspectors, posing as prospects in one recent survey, discovered that few salespeople went into detail about merchandise; that 57 per cent of the salesmen gave no demonstration of the product; that 38 per cent knew little about

the product themselves; and that 22 per cent went out of their way to "apologize for the merchandise."

Another survey showed that seven out of 10 salesmen failed to explain the credit or easy payment plans provided by their companies; that six out of 10 failed to ask for the order; and that three out of every 10 salesmen didn't even bother to ask the customer if he was interested in buying.

The three qualities in a salesman that are most likely to repel customers, another study revealed, are tactlessness and discourtesy, over-aggressiveness, and an uninviting, sloppy appearance.

On the whole, the average retail salesman's efficiency declined from 76.6 per cent in 1949 to 69.4 per cent in 1950, and dropped to 68 per cent in 1951, a 1951 Willmark survey revealed.

—William J. Tobin in *Printers' Ink* 4/25/52

Also Recommended • • •

THEY ARE CHANGING U. S. BUYING HABITS. *Business Week* (330 West 42nd Street, New York 36, N. Y.), October 11, 1952. This article discusses the growth of the planned, one-stop shopping center from several viewpoints: the type of customer who buys there, traffic planning problems, promotional devices, internal competition, and trends in shopping-center ownership. The speed of shopping center development since the war and the sales levels already reached by many centers show that the possibilities of this kind of selling have only begun to be exploited, the article asserts.

PROFIT-SHARING POOL PUTS INCENTIVE INTO INDUSTRIAL PAY PLAN. By Alan Turner. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), July 15, 1952. A novel profit-sharing plan for sales personnel, developed to meet the needs of a growing company whose sales must be built on a service basis, is fully described in this article. Taken from a profit pool based on net corporate earnings before taxes, the incentive bonuses have been eminently successful in maintaining an energetic cooperative sales team and increasing both volume and profit for the company.

A KNOTTY SUBJECT—SALES COMPENSATION. By Robert F. Dick. *Proceedings of the Eighth Annual Conference of Sales Managers* (College of Commerce and Administration, Ohio State University, Columbus, Ohio), No. C-78. A sales compensation plan, to be effective, should provide incentive, be mutually equitable, and should not weaken management's position in controlling the sales organization. This article points out how these objectives can be achieved, provides a checklist for evaluating compensation plans and takes up the question of providing compensation for the new salesman.

PROGRESS IN PRICING PRACTICE. *Cost and Profit Outlook* (Alderson & Sessions, 1401 Walnut Street, Philadelphia 2, Penna.), July, 1952. Modern management is making increasing use of statistical and analytical methods for sales forecasting, evaluating new market opportunities, and budget planning. These methods can also be used in determining pricing practice. This article shows how they can improve the quality of those pricing decisions called for by changes in such underlying market factors as increased competition, increased volume, and a rise in direct costs.

BACK TO THE GENERAL STORE. *Modern Packaging* (575 Madison Avenue, New York 22, N. Y.), October, 1952. Self-service retailing in general, and the supermarket in particular, have lifted the job of selling from the shoulders of the clerk and placed it squarely on those of the manufacturer. The consequent revolution in package design is the subject of this article, which discusses such packaging problems as product identification, impulse sales, and display. For some manufacturers—makers of soft goods, for example—radical innovations will be necessary as a means for survival in the market.

Financial Management

COMMON STOCKS IN RETIREMENT PLANS

CURTIS R. HENDERSON

SAVING FOR OLD AGE is a long-range proposition. For most people it extends over a period of 30 years or more.

This is one reason why it is extremely desirable to put the investment program under the income-tax shelter of an Internal Revenue Code Section 165 (a) pension trust. The resulting income tax exemption increases the effective investment yield by more than 20 per cent (the lowest bracket of the federal tax on individual incomes is now 22.2 per cent). Over a long period, even the smallest increase in the rate of investment yield makes a tremendous difference in the size of the fund accumulated.

The long-range character of saving for retirement also makes it wise to invest a substantial part of the funds in common stocks. The technique of dollar-cost averaging (regular, periodic purchasing without regard to market fluctuations) produces very favorable results (equivalent to 5 to 10 per cent compounded annually) when applied to *diversified* common stocks *over any long period of time*, with all investment income received and reinvested free of income tax in the hands of the trustee.[1]

The income-tax exemption and the dollar-cost averaging principle together make a very strong case for the use of common stocks in retirement planning. The tax exemption is, of course, far more significant when applied to common stock investment yields than it is in the case of the relatively low investment yields obtained from bonds.

Until recently, however, it was difficult to take full advantage of common stocks in retirement planning because, in practice, the Commissioner of Internal Revenue regarded a "pension" plan within the meaning of Section 165 (a) as one that promised a prescribed number of dollars per year. Another difficulty has been the lack of a technique for applying the annuity principle to a fund invested in common stock so that the principal, as well as the investment income, of a fund might be applied to provide retirement income for an individual which will continue throughout his life, no matter how long he lives.

Both of these problems have now been solved. The most extensive economic research on the use of a variable or equity annuity has been conducted by the Teachers' Insurance and Annuity Association.[2] TIAA has obtained a ruling from the Commissioner of Internal Revenue approving IRC 22 (b) (2) treatment for its variable annuity; and in March, 1952, the New York State Legis-

[1] See *Common Stock Indexes*, Cowles Commission, University of Chicago, Principia Press, Inc., Bloomington, Indiana, 1939; *Investment Companies* (Annual), Arthur Wiesenberger & Co., 61 Broadway, New York; "Dollar Cost Averaging Key to Periodic Plans," Paul A. Johnston in *Barron's* February 4, 1952; *Successful Investing Formulas* by Lucile Tomlinson, Barron's Publishing Co., Inc., Boston, 1947; *Investment Trusts and Funds*, American Institute for Economic Research, Great Barrington, Mass.

[2] See "A New Approach to Retirement Income," by William C. Greenough. Teachers' Insurance and Annuity Association, 522 Fifth Ave., New York 36, N. Y., 50 cents.

lature enacted a special law authorizing TIAA to set up its College Retirement Equities Fund. Participation in this fund is limited to academic people in universities, colleges, foundations, and scientific and research organizations.

An ordinary employer, however, may now use an Internal Revenue Code Section 165 (a) pension trust to establish for his employees an equity annuity providing a retirement income that will vary with the experience of the fund. One such equity annuity plan, formulated by the Long Island Lighting Company, has recently been cleared with the Treasury Department and put into effect.

The pattern of an equity annuity plan is simpler than it seems the first time it is examined. Retirement income earned by individual employees is credited to them in terms of units or shares (instead of in dollars) payable per year for life, beginning at the normal retirement date. It is necessary to assign an initial arbitrary dollar value ($10, for example) to the unit. Thereafter, the dollar value of a unit is established as follows: (1) Determine the current market value of the fund. (2) Calculate actuarially the present value of all units of retirement income already credited as a number of units of present value. (3) Divide the total value of the fund by this number of units of present value to determine the new dollar value of a single unit.

Since the retirement income in this type of plan is defined in terms of units, it will vary directly from year to year during retirement with the dollar value of a unit.

In an equity annuity plan, the employees, rather than the employer, enjoy the gains (and suffer the losses) when the experience of the fund varies from the assumptions. It is therefore desirable to set the investment assumption somewhat lower than would be expected on the basis of past experience from such common stock investment programs—at 3½ or 4 per cent, for example.

It is also necessary to take a great deal of care in explaining the plan to employees, who will almost certainly ask whether this plan will not offer them less certainty than conventional plans, as far as the dollar amount of retirement income is concerned. The answer to this question is: Which is the more significant measure of a retirement plan—the *number of dollars*, or the *purchasing power*, it will produce? Hardly anyone whose attention is directed to this question can come to any other conclusion but that purchasing power is the important criterion.

Most people spend the dollars they earn soon after they receive them. Variations in the purchasing power of a dollar from week to week, from month to month, or even from year to year, are not too sharply apparent. Accordingly, the habit of using and thinking of money on a short term basis in regard to personal financial programs prevents most people from giving a great deal of thought to the long-range fluctuations in the dollar's purchasing power. Yet the most striking characteristic of the dollar, on a long-range basis, is the great variability of its purchasing power; and retirement planning, as I have said before, is a long-range problem.

Anyone who worries about certainty in the sense of an assured number of monthly retirement dollars is implicitly assuming that the dollar will have approximately the same purchasing power 20 or 30 years from now as it does today. Actually, there has never been a time when a confident prediction could be

made about the dollar's purchasing power so many years in the future.

The correlation between the stock market and the cost of living is far from perfect; but detailed examination of their past relation shows that the retirement income from a program partly invested in bonds and partly in common stocks will afford steadier purchasing power than one wholly invested in fixed dollar promises.[3] This is confirmed by a study made by the Long Island Lighting Company and reported in the retirement booklet it distributed to its employees.

That a balanced investment program offers greater retirement security than one wholly invested in bonds is shown not only by past records but also by consideration of the retirement problem itself. No one actively employed today can actually purchase and put into storage all the food and clothing he will need in his old age, to say nothing of the services. The practical problem of storage forces him to depend in his old age on products and services produced at that time, rather than during his active employment years. He may be offered several types of claim on the goods and services he will need in his old age: a promise measured in dollars; a promise defined in terms of his needs in his old age; or an ownership position in the equipment and organizations that will be used during his old age, to produce the goods and services he will need.

The first choice, a dollar promise, means little unless the dollar should retain its purchasing power over a long period of time. No one would undertake to predict the time and scope of any inflation we might have in the future; but it would be rash to place complete long-range confidence in the purchasing power of a currency that was divorced from the gold standard in the 1930's and is issued by a government which practices deficit spending and can easily increase the volume of currency and bank credits making up our money supply.

The second choice, a promise in terms of needs during old age, provides security based wholly on ability to claim a share of goods and services that are produced entirely by others. So far as the government is concerned, this depends on the ability of the retired employees to exert political pressure. The difficulty is that, as their number grows, the political power of old people will increase less rapidly than the burden they will seek to impose on active workers. If an employee depends in his old age upon his former employer's promise to provide what he will need, his security is entirely dependent on the business success of a single firm. He bears not only all the ordinary business risks of that concern but also the risk that the retirement promises made by its management may put such a heavy burden on current production that the company will go out of business.

The third choice, an ownership stake in the means of production, offers a direct connection in old age with the production of diversified goods and services being produced at that time.

While this alternative would be the best of the three if it were necessary to depend solely on one of them, I am not recommending that all the retirement money be devoted to equity investment. I am urging simply that conventional pension practice be modified so as to put a substantial part of the retirement money into common stocks, the plan being set

[3] *Ibid*, Greenough; see also "A Better Pension Program," by Curtis R. Henderson in the *Harvard Business Review*, January-February, 1952.

up to permit the employees' benefits to increase or decrease with the experience of the fund. The studies mentioned above indicate that about 25 to 50 per cent of the retirement money is a good proportion to assign for this purpose.

Since we cannot predict the future, the safest, the most prudent course is a hedged position, with part of the retirement money invested in dollar promises and part in equities. Certainly this is better than risking it all on the purchasing power of the dollar many years in the future.

Trends in Consumer Spending

PEOPLE ARE BUYING more automobiles and refrigerators, eating better, and spending more on nondurables—such as cigarettes and lipstick—than they did 25 years ago. We are all vaguely aware of this, but the extent of the shift is probably greater than anyone but the economic analysts suspect.

In the prosperity days of 1929, purchases of durable and nondurable goods combined took about 60¢ of every dollar the consumer spent. What the government terms "services," including the cost of shelter, transportation, haircuts, doctor bills, recreation, and donations to the church, took the other 40¢.

Today, our expenditures for durables and nondurables approach 70¢ out of each dollar, with services taking only 30¢. The proportion of durable goods purchased has risen even more sharply. Obviously, the percentage spent on service has declined.

In accounting for these trends, it seems safe to assume that the demand for services as such is relatively inelastic. A man usually pays rent for only one house at a time; and there is a limit to the number of shirts he sends to the laundry. As his income climbs, however, he spends more and more on goods, both durable and nondurable.

Similarly, as a consumer's income rises, his demand for durables goes up faster than his demand for nondurables. While he may buy more steaks than hamburgers if his income doubles, he will not spend twice as much for nondurable goods like food and clothing. There is, however, little limit to his consumption of durables—automobiles, for example.

The rising demand for durable goods gives the impression that the average man is better off than ever before. Probably he is. While the fact that he is spending a larger share of his money for goods may indicate that prices of these items have risen more than has the cost of services, it is equally certain that he has more material things to show for his money than he had a quarter of a century ago.

—*The Biddle Survey* (Biddle Purchasing Co., N. Y.) 8/12/52

Plus Tax!

ONE OF THE NATION'S large car manufacturers in its report on 1951 noted that taxes it paid (nearly $240 million), amounted, in relation to the year's employment, to about two-thirds of wages paid—and nearly four times dividends to stockholders. "As a charge against production, taxes alone represent $172 per vehicle," the report said. Considering all taxes in production and distribution, the company estimated they amount to about 30 per cent of a car's retail price.

—*Tax Outlook* (The Tax Foundation, Inc., N. Y.) 9/52

SOME POINTERS ON CORPORATE GIVING

SOME PRACTICAL do's and don't's for use in planning business contributions under the five per cent tax exemption privilege of the Internal Revenue Code were recently developed by the National Planning Association.* Since every corporation, large or small, makes some tax deductible gifts each year, these suggestions should prove valuable to companies desiring to assure maximum benefits—to themselves, the recipients, and the nation generally—from this huge potential annual expenditure.

Of major importance in any program of corporate giving is an explicit formulation of policy, together with rigid tests of disbursements under the five per cent provision, it is pointed out. The casual handling of disbursements under this provision, which all too frequently characterized corporate behavior in the past, is no longer a matter of minor concern. Even more serious are those instances where possible net benefits to a company are permitted to go by default. The only good reason for failure to act under the five per cent provision is the inability of management to work out a program of contributions that is worth more than it costs the company.

Hesitancy about setting up five per cent programs and using them aggressively commonly springs from two principal sources—concern about stockholder criticism and fear of the repeal of the five per cent provision. Concern about stockholder criticism is justified only if the corporation's program is not worth more than the program costs. Apprehension as to the possibility of repeal seems groundless because the law is in the public interest and because any such action would cripple educational and welfare activities in every state and community throughout the country. Since 1935, when the law was passed by a large majority in Congress, there has been general agreement that if a degree of private initiative and decentralization are to be preserved in educational, scientific, and welfare fields, corporations must use their five per cent privileges.

It is in the choice of fields of activity and of the scale of operations that a corporation's wisdom in making donations will be expressed. While responsibility to the community normally has first call on a corporation's five per cent funds, beyond such commitments, the corporate interest can be broadly or narrowly defined to take advantage of the vast opportunities offered to private initiative. A narrow field will be more concrete, more obvious, and more certain as to benefits received in relation to amounts disbursed. The broader field will be more uncertain and will require greater skill in its selection. But if wisely chosen, the broader field will be more enduring and in the end more rewarding.

In determining methods of support, corporations would do well to observe the following commonsense principles:

1. A smaller contribution made regularly is more useful to many organizations than a larger contribution which cannot be maintained.

2. While one-time contributions for one-time purposes are practical and can be undertaken with little risk either to the corporation or to the recipient, they cannot be justified for continuing purposes.

* Presented in *The Manual of Corporate Giving*, edited by Beardsley Ruml in collaboration with Theodore Geiger. Available from The National Planning Association, 800—21st Street, N.W., Washington 6, D. C., 416 pages. $6.75.

3. A gift for a building or equipment should take into consideration the ability of the recipient to maintain it.

4. Donors should remember that many projects and special programs impose a financial burden on the recipient institution over and above the direct costs of the activity itself, and they should make provision in their allocations of funds for meeting the indirect overhead and administrative costs of such projects.

5. If the grant is of significant size, the donor may legitimately require an independent auditing of its expenditure in cases where funds can be administratively segregated for some clearly defined purpose.

6. Donors should not attempt to influence an institution's activities with their gifts. There is a sufficient variety of institutions in the country so that a corporate donor is almost certain to find at least one which naturally suits his objectives.

EMPLOYEE REPORTS NEED A CHANGE

ANYONE who has ever done any extensive work on annual reports for employees will concede, without pressure, that the employee report can be an extremely dull affair. Since the average employee has little interest in bare statistics, asking only that they be translated, quickly and painlessly, into terms of groceries, alert people in communication are endlessly searching for new ways to do this.

Here are a few cues to plans now in the blueprint stage for employee annual reports to be issued at the end of 1952:

The employee report will be more of a verbal report. Taking the tip principally from Pitney-Bowes and from others where the employee meeting method has proved successful, some companies will stress the personal presentation approach. One company has recently concluded a series of employee meetings on a panel basis. Two panels—one from management and the other from employees—shared the platform. The interchange was informal and complete, and the pattern will be used for later conferences. The system is a natural for employee report presentation, and the confab can be thoroughly covered in employee publications later on.

Audio-visual devices are coming into wider use. The personal presentation of the annual report to groups of employees, with plenty of visual aids, is by now fairly common. One company, using the audio aid of tape recording, is developing a new pattern: The method is to build the employee report basically by tape recording, using questions put to shop people and answers furnished by management personnel. The finished result will be the backbone of an employee report, broadcast over the local radio outlet. The company president (this is a medium-sized, one-plant company) will present his annual message to his employees, with the community listening in, and copies of it will be made available to employees through the company publication.

Reporting by the personal interview route is an increasing trend. Here the

interview method can be employed to report to employees in one of three available ways: (1) The president, works manager, or some other company official is informally interviewed by a typical employee, in a role-playing presentation, and the report is developed by conversation. The setting can be any convenient group meeting of employees, within or outside the plant. (2) The same technique can be applied in television, where television is available and the cost is not too great. (3) The same system can be used in a radio broadcast, either as a "live" show, or from a recording.

Any of the foregoing methods of annual reporting to employees can be—and should be—supplemented by articles or reports in the employee publication, if one exists; if there is none, a management newsletter or plant bulletin board can carry the supplementary load. *But the point is*: Management is digging hard for means by which to take the stodginess out of employee annual reports, and the man-to-man method should be considered first.

—*The Score* (Newcomb & Sammons, Chicago, Ill.), September 15, 1952.

End of a Myth: Women Do Not Control the Nation's Wealth

TWO IMPORTANT ECONOMIC studies in the past two years may finally have dispelled one of the most stubbornly held myths of this country—that women in the U. S. own or control most of the nation's wealth.

The first of these is a recent study by The Brookings Institution which indicates that there are just about as many women as men in America who own such assets as stocks, bonds, life insurance policies and savings accounts. But so far as the stock market is concerned, men have more dollars invested than women and own more shares of stock than women.

Emphasizing the family's importance as the real owner of most property in the United States is an earlier study published by the Institute of Life Insurance. Here it was shown that men own around 189 billion dollars worth of life insurance and that women own around 46 billion dollars worth. Most policies owned by men, however, name women to receive the benefits when the men die. In other words, most life insurance is family protection and not something which can be considered the "wealth" of either men or women.

—*Insurance Advocate* 9/20/52

Company Practices in Adopting Stock Option Plans

OVER 100 FIRMS—one out of every six listed with the New York Stock Exchange—offered stock option plans for executive compensation in the early months after the passage of the Revenue Act of 1950, according to Arch Patton of McKinsey & Co., management consultants. Last year, after the Salary Stabilization Board ruled that stock option plan proceeds "were not to be ruled compensation" if they pegged purchase price at 95 per cent or more of market, another group of firms joined the trend.

Since the SSB ruling, more than half of 203 plans Patton has examined allow exercise at 95 per cent of market price. (The year before, only a third had required that much.) At the same time, the number of firms offering options at

85 per cent of market has dropped from 25 to 15 per cent. Only a quarter of the companies surveyed establish options at the full market price.

Another ruling, from the NYSE, has encouraged executives by extending permissible option periods from seven to ten years. 25 per cent of the corporations surveyed took full advantage of this ruling, bringing the total of companies working on a 10-year basis to 50 per cent.

There was no majority agreement among the surveyed as to the proper amount of outstanding stock to set aside for option plans. Some 68 per cent distributed from 2 to 5 per cent of new outstanding shares; the others set aside 6 to 8 per cent, and 14 per cent of the firms offered even more.

Forty per cent of the companies involved distributed options among 50 or more executives; another 40 per cent of the plans covered between 15 and 50; the remainder, fewer than 15. An increasing number of firms restricted option exercise by limiting the number of shares an individual can buy to a given period. This normally provides for a cumulative exercise, and spreads the incentive value of the option over a longer period.

—*Forbes* 7/15/52

Average Family Lives Beyond Current Income

ACCORDING TO consumer expenditure data released by the Bureau of Labor Statistics, the average family in some 91 cities visited by BLS interviewers spent 6 per cent more in 1950 than it had current income available for spending, after the payment of taxes. Average urban income, after payment of taxes, was $4,300, BLS found. However, total average outlay amounted to $4,700 with 97 per cent going for goods and services needed for family living. Of this, 30 per cent went for food and alcoholic beverages; 15 per cent for housing, fuel, light and refrigeration, and 52 per cent for everything else.

Wage earners and clerical workers fared worse than average, with incomes averaging $3,900 and expenditures totaling 109.6 per cent of income. In all cases, the difference between income and expenditures was balanced out by drawing on savings, or by going into debt.

Pointing out that 1950 was a year of near-record expenditures, BLS tabulated individual incomes for the year as follows:

Less than $1,000—3 per cent of all and 1 per cent of wage and clerical.
$1,000 to $2,000—9 per cent of all and 7 per cent of wage and clerical.
$2,000 to $3,000—18 per cent of all and 20 per cent of wage and clerical.
$3,000 to $4,000—26 per cent of all and 31 per cent of wage and clerical.
$4,000 to $5,000—19 per cent of all and 21 per cent of wage and clerical.
$5,000 to $6,000—11 per cent of all and 11 per cent of wage and clerical.
$6,000 to $7,000—7 per cent of all and 6 per cent of wage and clerical.
$7,500 to $10,000—4 per cent of all and 3 per cent of wage and clerical.
$10,000 and up—3 per cent of all (wage and clerical were excluded from this bracket by definition).

—*Advertising Age* 8/18/52

EMPLOYEES STEAL MORE THAN $1 BILLION YEARLY from United States businesses. The Liberty Mutual Insurance Co. (Boston) in analyzing 2,651 claims found that salesmen, the biggest offenders, were involved in 49 per cent of the losses but got away with only 19 per cent of the total money taken. Company presidents, although comparatively honest, are ambitious. Three who were caught averaged about $41,000 each.

—*Tide* 6/20/52

Also Recommended • • •

THE CONTROLLERSHIP FUNCTION: A MODERN CONCEPT. By James L. Peirce. *The Controller* (73 Main Street, Brattleboro, Vermont), September, 1952. Increasing acceptance of the controller as an essential member of top-level management has enlarged both the functions and the qualifications of the controller. Of primary importance among the qualifications, as the author sees them, are creative vision, strong service motivation, and an ability to sense the limits of his authority.

TAXES: THE PHILOSOPHY OF A LOOPHOLE SEEKER. By John P. Allison. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), September, 1952. Tax laws have often created favored classes of taxpayers, drawn arbitrary distinctions, or provided alternative methods of tax computation, the author points out. Contending that the ethical side of tax practice must be left to Congress and the courts, he asserts that the tax advisor is morally as well as legally justified in seeking out and employing "loopholes" for his client's benefit. The current tax provisions covering computation of excess-profits credits are among examples cited to support this point.

A REPORT ON THE CASH DISCOUNT FICTION. By Arthur Blake. *The New York Certified Public Accountant* (677 Fifth Avenue, New York 22, N. Y.), October, 1952. Accounting practice with respect to reporting cash discounts is needlessly illogical and confused, the author believes. Reviewing four major theories on the subject, he concludes that as long as the cash discount practice (which he regards as undesirable) continues, purchase invoices should be entered net of all discounts, since the discount is actually a concealed penalty for slow payment.

INCENTIVE COMPENSATION FOR MIDDLE MANAGEMENT IN A PUBLIC UTILITY. By Arch Patton. *Edison Electric Institute Bulletin* (56th and Chestnut Streets, Philadelphia 39, Penna.), August, 1952. The failures among executive compensation plans outnumber the successful plans six to one, according to the author. Setting bonuses too low, making payment on the basis of salary instead of the executive's contribution to company profits, and failure to develop yardsticks for measuring executive performance are among the reasons advanced for these failures. The author, who devotes particular attention to those problems which have thus far prevented public utilities from using incentive compensation, outlines a five-point program for developing a successful incentive plan.

STOCKHOLDER COMMUNICATIONS. *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), July, 15, 1952. Alert management has come to realize that good communications with stockholders are essential to assure the flow of new capital, convince shareholders that their investment is sound, and build stockholder loyalty as customers and company salesmen. This article tells what various companies are doing to improve communications with their stockholders. The chief medium of communication is, of course, the annual report, which has been expanded by most companies from a bare statement of financial facts to a full, well-illustrated account of management's stewardship during the year.

INCOME DETERMINATION UNDER PRESENT UNCERTAINTIES. By P. F. Brundage. *The Controller* (1 East 42nd Street, New York 17, N. Y.), September, 1952. This article is devoted to a discussion of the difficulties in preparing an adequate accounting statement brought about by the declining dollar, high taxation, the increasing power of organized labor, and the effects of defense production on the economy. The author concludes that the best possible accounting methods cannot yield results that are exact or final; he points out, however, that a "fair reflection" of financial position can be produced if the income statement is accompanied by explanations of company policy in adopting specific accounting procedures.

BUSINESS IMPROVEMENT IS LOOSE TERM WHEN USED BY LAYMAN. By Harold J. Ashe. *The Manufacturing Jeweler* (42 Weybosset Street, Providence, R. I.), September 18, 1952. The problem of possible tax savings that a manufacturer must consider when contemplating repairs, alterations, or additions to his plant is discussed in this article. Repairs, which do not add to the value of property or extend its normal life, have tax advantages over capital outlays, says the author, especially when costs can be written off in a single year. He recommends separate contracts when the two types of outlay are combined in a single alteration.

CUTTING CARGO HEADACHES WITH TRANSPORTATION INSURANCE

BROADLY SPEAKING, transportation insurance is aimed at indemnifying the property owner for losses that occur while the property is being transported in the custody of others. The need for this type of policy is too often unappreciated; but it is a real one, as the following examples will illustrate:

1. The liability of railroads, as generally provided under bills of lading, does not include losses occurring from perils like floods, tornadoes, earthquakes, landslides, lightning, riot, strikes and civil commotion—nor even from fire, when the carriers are acting as warehousemen.

2. A cargo policy issued to a public truckman insures only the truckman's legal liability under the bill of lading, and provides absolutely no protection to the shipper in the event of an "Act of God" or other loss not covered by the bill of lading.

3. Only $1,000 insurance on each truckload fulfills the Interstate Commerce Commission's cargo liability insurance requirements for interstate truckmen. Furthermore, no matter what the limit may be, the policy is subject to 100 per cent co-insurance.

Even the shipper who selects his truckman with care, and who confirms that the truckman carries adequate and broad cargo liability insurance, needs transit insurance. He can never know whether the truckman's insurance has been voided, nor would he know of changed policy limits or conditions.

There are many forms of transportation insurance, each one tailored to fit the circumstances of an individual shipper. A single transportation policy may, for instance, be written to cover both incoming and outgoing shipments in transit at the risk of the assured. This one policy can insure shipments while in the custody of a single carrier or any combination of carriers. Parcel Post shipments, while not covered under this policy, may easily be provided for under a Parcel Post policy.

Frequently, provisions are made to cover shipments sold "F.O.B. Point of Shipment." Under these terms, the consignee is responsible for the goods from the time they leave the shipper's premises; but to avoid misunderstandings and maintain the customer's goodwill in the event of a loss, some shippers have their transportation policies written to cover "outgoing shipments including F.O.B."

Recently, a new and more comprehensive contract covering "all risks" of physical loss or damage to insured property from any external cause has been introduced. This "all risks" form has been designed for package freight shipments of new merchandise that is adequately packed. The premium is calculated on the value of the property shipped, and the deposit premium is usually based on an estimate of shipments for the policy year, with an adjustment to be made at the anniversary date.

On certain commodities, shippers may obtain special low freight rates to apply when the carrier is partly released from

liability by a reduced value declaration. Such shippers need insurance protection for full invoice value of the goods, and transportation insurance will provide this protection at reasonable rates. The shipper's savings in freight charges often are greater than the additional premium involved.

For firms organized to effect collection of collectible claims from the carriers, there is a "contingent form" transportation policy at a reduced rate. Under this form, the company is liable for payment of loss or damage only if the assured is unable to collect from the carrier involved.

—GEORGE F. WAGONER. *Best's Insurance News*, September, 1952, p. 47:2.

Illusions of Security

ON OCTOBER 1, recipients of social security benefits began to receive bigger monthly payments from the government. This "cost-of-living" increase—which amounted to 12½ per cent or $5, whichever was the greater in the individual case, brought the average benefits to a level approximately 90 per cent above those in force in 1936, when social security originated.

During the same period, however, the cost of living (as measured by the BLS index) rose by 92.5 per cent, and the cost of foods—for which the major part of small incomes must go—by 131.9 per cent.

This is not the only interesting aspect of the situation. Most union leaders, for example, are not altogether happy about the increase in social security payments. In the great majority of cases, company pension plans have been negotiated with management on a fixed basis and geared to social security so that the company contribution falls with any rise in social security payments. This means that union members receive no extra benefits from the increase in the monthly government check.

Also, nearly five million people are drawing social security benefits today; the government's current outlay amounts roughly to $1.9 billion a year. It is estimated that by 1980 the annual social security bill of the government may reach $8 billion—all to be paid out of current receipts, if present fiscal policies are followed. Since the population is "growing older," it can be seen that productive workers will have to support an ever-increasing number of pensioners.

Finally, there is a theory that heavy pension payments to the retired will provide a backlog of consumer demand sufficient to put an end to depressions. This, however, is likely to prove invalid when pensions are too small to keep off poverty.

—*The Biddle Survey* (Biddle Purchasing Co., N. Y.) 9/16/52

Carriers Extend Limitations on Liability for Damage

THOUGH COMMON CARRIERS are generally liable for the merchandise being transported, they seem to be extending the list of commodities on which there will be a definite limitation as to amount. It is understood that this limitation will be 50 cents per pound and is likely to include such articles as acids, anti-freeze compounds, arsenic, barks of various types, several types of beans, tooth brushes, gelatin capsules, many chemicals, drugs, embalming fluid, various insecticides, manganese, titanium, various types of oil, seeds, starch, and others.

As they become effective, any such limitations should be considered in determining the transportation exposure.

—*American Business* 9/52

COMBINING PENSIONS AND PROFIT-SHARING

IN PROVIDING financially for his retirement, an employee usually has two primary objectives. The first is that his retirement income shall be assured, definite, and determinable; the second, that it shall retain its purchasing power as it accrues over the working years.

In some cases, the employer can meet the latter criterion by basing the amount of the pension on the final salary or the average salary over the last few years. However, he may find this method undesirable, since the effect of inflation on final salaries may force an increase in reserves for pensions that had accrued many years before.

Generally speaking, employers, in establishing a pension plan, wish to fund it with the lowest practicable annual commitment. Another of their objectives is to finance the plan by setting aside pension funds as the benefits accrue, thus, in effect, providing for the human depreciation of the working force.

A basic pension plan, supplemented by a profit-sharing plan with benefits on a deferred distribution basis, can help to meet the needs of both employer and employee, or at least to provide a satisfactory compromise. The basic pension plan assures the employee of a definite and determinable retirement income, while the profit-sharing plan, through its investment policy, supplies a means of increasing income in case of a decline in the purchasing power of the dollar.

The employer, on the other hand, can keep his annual commitment low. If he sets aside substantial funds for past service during the early years of the plan, his only commitment during times of no profits will be for the relatively low costs of current service benefits. In times of high profits, he might pay into the combination plan as much as 20 per cent of total payroll or even more. Though, in the long run, a combination plan might prove as expensive as an adequate pension plan of the regular type, its cost would be easier to bear.

—MORGAN H. ALFORD in *Notes and Quotes* (Connecticut General Life Insurance Co.), September, 1952, p. 1:2.

AUTOMOBILE INSURANCE—TRENDS AND PROSPECTS

TODAY, the automobile industry is the world's largest single industry and the people of the United States are driving three-quarters of the world's passenger cars and half of the world's trucks. Unfortunately, however, the automobile has become not only a national symbol of convenience and pleasure—it also represents our nation's number one cause of accidental death. In 1951 there were 37,100 fatalities and 1,962,000 injuries charged against motor vehicles, and the economic loss from highway accidents exceeded $3½ billion. The National Safety Council estimates that, unless the rate of auto accidents is reduced, one out of every two people in the United States will be injured in an auto mishap sometime during his lifetime. Motor vehicle deaths of more than one million have already exceeded all the deaths from all the wars in our history. And the annual

auto death rate—already two and one-third times our fatalities in Korea—is going up.

The impact of the motor vehicle and its destructive prowess on the insurance field has been staggering. Automobile insurance premiums written by all classes of carriers in 1951 totaled about $3 billion, with liability and property damage accounting for just over half of the total. Automobile insurance is the largest line written in the fire and casualty field and now is running at about twice the volume of straight fire business.

In 1941, the last pre-war year, nearly 35 million motor vehicles were registered and total automobile premiums amounted to $820 million. By 1943 there were less than 31 million cars and premium volume dropped to about $600 million. The five-fold increase in automobile premiums in the following eight years, from $600 million to $3 billion, taxed the capacity of the insurance industry because most other lines were also advancing. The increase in unearned premium reserves and loss reserves outdistanced the increase in assets so that surplus shrank in relation to liabilities and the volume of business underwritten. In 1945 there was roughly a dollar of policyholder's surplus for each dollar of liability in the stock fire and casualty field. At the end of 1951 there was only 66 cents of surplus for each dollar of liability, despite a modest over-all underwriting profit and a gain from investments which together amounted to about $2½ billion for the period. Many individual carriers show much lower ratios and some reached the point where it would have been unwise to take on any additional business.

Rate increases failed to bring an immediate relief to the situation. As of last year, the country-wide rate level on bodily injury coverages had risen 27.6 per cent above the rate level of January, 1941. However, in this same period average claim costs jumped about 70 per cent. The auto property damage rate level advanced 131.4 per cent over these years—but the average claim costs went up over 155 per cent!

Gradually, however, the situation has begun to loosen, and it should return to a more normal state within the next few months. The companies won't make any money on auto lines this year, but they should lose less, and with the prospect of getting back into the black, possibly by the end of 1953, they will again welcome new auto lines.

A final word on rates: We hear more and more about insurance companies pricing themselves out of the market. What can be done about it? The one sure way to reduce rates is to reduce accidents and reduce excessive jury awards. How? By education—education in safe driving, law enforcement and highway improvement. The voices of the agents, the companies, and all the others who are interested are not strong enough. These problems will not be solved until the public raises its voice. Accident prevention, driver education, motor vehicle inspection, law enforcement and highway improvement must win public acceptance if our efforts are to prevail.

This is not to minimize what has been done by agents' state and national organizations or by the insurance companies individually and collectively. Much that needed to be done has been done and is being done. Traffic engineering is working constantly to eliminate the hazards of our outmoded highways. Nearly half of all high school students who reach the legal driving age receive driver education courses. An extensive program for

adult drivers is being promoted. Truly tremendous strides have been made, but still greater strides are necessary. The public must be made to realize that drivers and juries make insurance rates. Unless we have fewer accidents and a saner approach to jury awards, automobile rates will go higher and higher.

—From an address by C. M. KELLOGG before the Virginia Association of Insurance Agents.

NEARLY TWO-THIRDS of this nation's 61 million civilian working force were insured against loss of income caused by accidents or sickness by the end of 1951, according to the U. S. Chamber of Commerce.

Also Recommended • • •

TECHNIQUES OF INSURANCE AND SUBSIDIES USED TO EXPAND GOVERNMENT AS INSURER. *The National Underwriter* (150 William Street, New York 38, N. Y.), September, 1952. This article, based on a speech given by A. L. Kirkpatrick, manager of the insurance department of the U. S. Chamber of Commerce, deals with the threat to private insurance posed by increased government activity in this field. The trend toward socialization of insurance is being given impetus, he feels, by government agencies such as the Commodity Credit Corporation and the Mutual Security Administration, which are not generally considered to be dealing in insurance but which nevertheless are employing insurance techniques.

HOW FAR DOES AUTO LIABILITY GO? By Tower Belt. *American Business* (Dartnell Publications, Inc., 4660 Ravenswood Avenue, Chicago 40, Ill.), October, 1952. A firm that allows two or more underwriters to provide it with different types of liability insurance may expect trouble when a claim arises that does not clearly fall under a single category of liability, says the author. Citing a number of actual cases to show that the limits of an automobile liability contract are, at best, ambiguous, he stresses the importance of placing all policies with a single casualty insurance company to avoid the potential risk of long and expensive litigation.

TRENDS IN GROUP INSURANCE FOR EMPLOYEES. By E. Rex Complin. *Industrial Canada* (67 Yonge Street, Toronto 1, Canada), July, 1952. Since the trend toward bargaining collectively about welfare benefits is growing, a company should be prepared to decide whether the demands made by a union are reasonable in the light of current company practices. The author outlines the general pattern of life insurance, non-occupational sickness and accident benefits, and hospital, surgical, and medical benefits now provided under group insurance plans by Canadian industry. Where group life insurance is concerned, for example, most plans provide that the employees contribute about one-half the cost and the company pay the rest.

CONTRACTUAL LIABILITY INSURANCE. By John P. Holland. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), September 6, 1952. In signing a contract an individual or firm may be assuming liability which is not covered under the usual comprehensive liability policy. It is, however, possible to obtain contractual liability coverage for a particular agreement or to have the standard liability policy broadened to provide automatic coverage for all written agreements for a period of 60 or 90 days. The author discusses the nature and advantages of such insurance, presenting case histories to show the type of hazard it guards against.

BUSINESS INTERRUPTION COVERAGE. By Fred G. Gedelman. *Credit and Financial Management* (33 South Clark Street, Room 1538, Chicago 3, Ill.), October, 1952. Without an adequate business interruption insurance program, says the author, a going concern is in constant danger of failure. In outlining the points to be considered in developing such a program, the author discusses the various meanings of the terms "insurable interest" and "liability interest," and presents a number of brief case histories.

Survey of Books for Executives

JOINT CONSULTATION IN BRITISH INDUSTRY. ***A Report of an Inquiry Undertaken by the British National Institute of Industrial Psychology.*** Staples Press, Inc., New York. 1952. 276 pages. $4.00.

Reviewed by H. H. Carey*

What is Britain doing to help herself out of her economic difficulties? For belligerent persons who sneer as they ask this question, there is nothing in this report to produce anything but more sneers. Such critics will consider the whole inquiry impractical and irrelevant.

But those who realize, in spite of her "mistakes and muddles," that Britain is a senior partner whose welfare and good will are desperately needed by the free world, will see this inquiry and report as a forthright attack upon certain roots of the British economic problem. In this citadel of Western civilization, where men of rugged spirit fought and died to win the rights of self-government, trial by jury, and freedom of worship, an enlightened group is pointing today toward a rediscovery of the human power and values so long unrecognized and untapped in its own industrial backyard.

Certainly there is no room for complacency or smugness on our part about Britain's plight. While we enjoy the economic plenty arising out of great lands, vast resources, and technical ingenuity, American management faces the same basic hostilities among its employees and the general population that gave rise to socialist government in England.

Throughout the book, in the stories and circumstances cited, there appear parallels to many of the problems we face here: employee distrust of management's motives; lack of confidence in managerial integrity; exaggerated ideas of what profits are being made; lack of understanding of the function of profit, and of what constitutes a reasonable profit; the rarity of any employee sense of identity of interest with the employer ("I just work here"); lack of real integration within the management team; and, among great masses of employees, the feeling—perhaps most bitter of all—that "management doesn't really give a damn about us."

The origin of this study goes back nearly to the end of World War II, when "it was clearly recognized in informed circles that Britain's economic position could be restored only by raising the industrial efficiency of the country and establishing a new level of productivity." In 1948, a Government Committee on Industrial Productivity was established. Each of its four sections was to study a particular aspect of the problem. The Human Factors section, under the chairmanship of Sir George Schuster, initiated a research program of which three topics were entrusted to the National Institute of Industrial Psychology. One of them—the subject of this volume—was an inquiry into "Joint Consultation."

This study was carried on over a three-year period, from 1948 to 1950. Questionnaires were sent out to 4,719 firms employing 250 or more people. Returns were received from 751, of which 545 had some degree of joint consultation. Visits were paid to 189 factories, and the study was finally narrowed down to cover 157. For purposes of the inquiry, joint consultation was defined as "any method of establishing two-way communication between two or more groups in addition to those provided by normal day-to-day contacts."

Generally speaking, what the British call joint consultation is like the "employee representation" that developed here in the United States in the '20's and '30's—a mechanism for consultation rather than negotiation. Of great significance is the authors' comment: "Very broadly, the character of meetings between employers and employed over the last 150 years shows a historical development from *deputation* and *negotiation* to *consultation*."

* Management Consultant, Philadelphia, Penna.

Meeting	Relationship	Method	Status and Authority	Sense of Responsibility	Decider
Deputation	Dominant-servile	Dictation	Rank	"His"	He decided
Negotiation	Competitive rivalry	Compromise	Strength	"No one's"	It was decided
Consultation	Collaborative	Integration	Function & qualifications	"Ours"	We decided

The foregoing table presents their analysis of the nature of such meetings. By "deputation," they probably mean a delegation calling on the employer to ask a favor or make a request.

Had another column showing the probable end result been added, it would probably indicate behavior ranging from overt or passive resistance, through compliance, to enthusiastic cooperation.

Factors affecting the operation, form, development and success of joint consultation were many—psychological, social, historical, technical, and economic. Of special interest, however, is the fact that management, in about 90 per cent of the firms investigated, recognized one or more trade unions. Thus, joint consultation in these plants was carried on simultaneously with other organized activities of union employees.

The attitudes of top management toward joint consultation, obviously, were of primary importance. In one company, where there was an inclination toward arbitrary or autocratic leadership and where joint consultation had failed after having been instituted in wartime, at the request of the government, a senior member of management stated: "We never believed the workers had anything to tell us. Jack cannot teach his master." The other extreme was expressed by two company chairmen: "We learned that paternalism does not take the place of the understanding and participation of our workers. . . . For years it has been the policy of the management to get responsibility accepted at the lowest level at which a decision can be made."

Rather strange bed-fellows showed up in the classification of those who merely *accepted*, actively *supported*, or *resented* the joint consultation idea. Active support and keen interest in joint consultation were indicated by about 80 per cent of both the chief executive group and the worker representative group. About 70 per cent of senior management men and shop stewards fell into the same category. Foremen and individual members of the work force ranked last in this respect; only about 40 per cent of each group saw real possibilities in joint consultation and were prepared to work for its development. Resentment was most evident among foremen, 14 per cent of whom, along with about 5 per cent of middle management, reacted definitely against joint consultation.

The investigators found that in more than 70 per cent of the cases studied, management had initiated the joint consultation systems. The nature and range of individual topics discussed, and the effectiveness of the consultations in helping to solve particular problems is shown in the following table:

Matters discussed	*Average effectiveness of discussion based on 100 points*
Hours, breaks and shifts	70
Holidays	69
Dismissal and related matters	66
Work rules	64
Grievance procedure	63
Physical working conditions	62

Safety and accidents	62
Wage systems	62
Canteen	59
Factory earnings	57

Ranging from this point down to a low of 32 were the following: timekeeping; workers' knowledge of the firm's trading position; policy and developments; absenteeism; discipline; training; quality of workmanship; work tempo; methods of production; workers' knowledge of financial results of the firm; reduction of waste; promotion and prospects; and labor turnover.

Matters indirectly influenced under the same scoring system were: management-union relationships (60); management-worker relationships (58); management's understanding of workers' views (58); workers' understanding of management's problems (52); inter-foreman cooperation (52); manager-foreman relationships (48); foreman-shop steward relationships (44); foreman-worker relationships (40); office-factory relationships (37).

Excerpts from the two concluding chapters follow:

". . . A very large number of workers tended to regard joint consultation mainly as a means for airing their grievances. In contrast to this, worker representatives showed a very real interest."

"Even a small amount of friction between the management and the union could render the consultative system ineffective, or turn it into an additional means for pressing union objectives."

"Dissatisfaction is frequently expressed in such a way as to draw attention away from, rather than towards, its real source . . . [Such] 'displacement' is a common form of behaviour in which a dissatisfied person does not express his grievance in true form, but unwittingly deflects it against some other target. In industry the outlets for discontent found by workers, and the forms of complaint they make, tend to be concentrated on established centres of conflict, since this enables them to rationalize their conduct."

"It was frequently said to us by the more progressive managers that they did not look upon joint consultation as a system, nor as something which should take place only at stated intervals in formal meetings, but as a process which should be going on all the time throughout the organization."

"If the workers show a tendency to interfere with the technical authority of experts and to claim to know better, it is not that they wish to take over control of their functions, but that they lack confidence in the technical group."

"While, obviously, the level at which each problem can best be solved varies, the principle we suggest is that the solution should always be left with the *lowest* level at which it can be made, bringing in, so far as possible, those who will be most involved in the successful implementation of the decisions taken."

"As a philosophy of management, joint consultation emerges as a development of a democratic principle, itself as yet little understood and only tentatively accepted. It is a philosophy which demands the adoption of the consultative relationship as the basis for the day-to-day conduct of the affairs of the organization. This relationship provides a particularly fertile ground for the growth of understanding and realization of a common purpose between people whose interests may appear to them to be opposed. The metaphor is chosen deliberately; the fruits of this approach to human relations are substantial, but rarely dramatic in the speed of their development."

EDUCATION FOR MANAGEMENT: Report of a Visit to the U. S. A. in 1951 of the British Specialist Team of Education for Management of the Anglo-American Council on Productivity. Available from Office of Technical Services, U. S. Department of Commerce, Washington 25, D. C. 86 pages. $1.15.

Reviewed by Rita Hilborn Hopf

Sometimes, though not always, it is gratifying to see ourselves as others see us. In this report our British friends hold up the mirror approvingly to one segment of the American scene: education for management. Though the

report was prepared primarily to illuminate for Britons one cause of our high productivity, the reflection presents Americans, too, with a panorama of what has been accomplished here in the field of education for management, and a perceptive analysis of the reasons, attitudes, and objectives supporting its growth.

The report is expository rather than critical. It is the fruit of a two month nation-wide survey of facilities for management education, chiefly as provided by constituted educational institutions at the undergraduate and graduate levels. The 14-member survey team was composed of high-ranking industrialists, educational authorities (including a member of the Ministry of Education), managers having direct responsibility for training, and a trade union representative, under the leadership of Lt. Col. Lyndall F. Urwick, eminent practitioner and exponent of management, and an internationally recognized leader in the profession.

Team members visited 30 universities and colleges, seven associations and governmental agencies, eight trade unions, and 50 industrial and commercial enterprises. They conferred with hundreds of persons prominent in the field of management education. That they could cover so much ground in the brief space of 40 days in the U. S. attests not only to the calibre of the team members, but to their preparation, organization, and energy.

Among the major findings of the study, all qualitative in character, these are prominent: close connection between high productivity and level of management education; social prestige attaching to high positions in business; integration of theory with practice, as exemplified by liaison between educational and business institutions; extent and rapid expansion of facilities at undergraduate and graduate levels, in both liberal arts and engineering colleges; flexibility of requirements to permit part-time study; high quality of the teaching staff, fostered by encouragement of teachers to do part-time work in business; trend toward a balanced program of liberal arts, fundamental science, and administrative studies; stress laid on human relations and the techniques of communication; awareness on the part of management of the need for training executives and prospective executives; and dynamic nature of administrative studies, and willingness of educators to experiment.

Of great interest are the appendices, which provide an excellent picture of the evolution and present status of facilities. Here, attention is given to statistics of university students enrolled and degrees granted; development of business colleges by date; administrative studies for women; administrative studies as grafted on to courses in engineering; undergraduate courses in administrative studies; graduate courses in administrative studies; courses for business executives; courses for trade union executives; and examples of training schemes conducted by business.

This book should prove a most useful reference for anyone engaged in management training. For those less informed concerning the impact of management education on our way of life, it will be a revelation. It points up the need for further stock-taking and evaluation, since the British team was able to visit only 30 of 617 degree-granting institutions and was necessarily more concerned with reporting facts than with measuring values or suggesting paths of development. It is heartening to know that, partly as a result of the team's activities, Lt. Col. Urwick is currently engaged in making a related study, under the auspices of the American Management Association and the Fund for Adult Education of the Ford Foundation, of management training as provided by business organizations themselves.

THE PURPOSE AND PRACTICE OF MOTION STUDY. By Anne G. Shaw. The Harlequin Press, London, England, 1952. 311 pages. 50S. 0d.

Reviewed by George G. Saltford*

This volume on motion study is unusual both in arrangement and content. All phases of what we know to be motion study—micromotion study, paths of movement, prin-

* Wallace Clark & Company, Inc., New York City.

ciples of motion economy, and workplace layout—are clearly discussed, with excellent accompanying illustrations. Various aspects of materials handling and factory layout are also treated. It might be mentioned parenthetically, however, that while material flow analyses did come from the process-charting techniques of the Gilbreths, they are now so widely and generally used by industrial engineers that it is difficult to consider them as a part of motion study, *per se*.

The author carefully outlines all the steps involved in selecting subjects for investigation, conducting the investigations, recommending changes based on estimates of possible economies and making installations. This leads into a consideration of operators' attitudes, incentives to work well, and other personnel aspects of the subject.

The author's background in psychology and her study under Mrs. Gilbreth—who is a noted psychologist as well as industrial engineer—contribute to the book a thorough understanding of the relatively new field of Human Engineering. In this connection it might be noted that motion study, as it is practiced in most American companies, is largely an impersonal technique. The same is perhaps even more true of job evaluation. And yet, in discussing job evaluation, the author takes into account personality traits. This is contrary to the usual practice here.

The section on learning is of particular interest to those of us who are engaged in time study, for quantity of output—a product of operator training—clearly affects performance against standard. But a time study man or a planner in this country would probably be reluctant to wait months for learning to reach its ultimate plateau, as the author seems to suggest, before establishing a standard.

Although the distinction between time study and motion study is made clear in the author's introduction, where it is stated that time study will not be treated in the book, one gets the impression that the author does not have too high a regard for the subject. It is unfortunate that no investigation was made of the effectiveness of some of the standard data recently developed for just such applications.

This book will be of interest principally to the trained industrial engineer. Anyone less expert in the field might be discouraged by the complexity of the subject matter. If a novice, he would doubtless find it too difficult. If a manager, he might come away with the impression that motion study is too expensive to undertake. In fact, the author seems to suggest that motion study is adaptable only to large organizations where highly repetitive work is done, with approximately "one motion study investigator to each 500 workers," and with workers spending "several months" on a single operation. On this basis, it would require a plant with several thousand employees to support a motion study department.

Mention is made of supervisory training as a means of increasing the use of motion study techniques. This is a subject that merits greater emphasis than it has thus far received, for it is primarily through the supervisor that the advantages of motion study can be brought to smaller manufacturers.

CONTROLLERSHIP: THE WORK OF THE ACCOUNTING EXECUTIVE. By J. Brooks Heckert and James D. Willson. The Ronald Press Company, New York, 1952. 645 pages. $7.50.

Reviewed by L. W. Garner*

This comprehensive volume should prove of value to the experienced, working controller in that it provides (1) an up-to-date, interpretative review of all published material on controllership, (2) a source book for ideas to be used in making more meaningful reports to others in management, and (3) a useful tool for educating subordinates. It is this reviewer's impression that Messrs. Heckert and Willson's contribution to current business literature is definitely a "buy."

It is no mere child's play to review a volume containing 37 chapters, over 600 pages, and 173 pertinent and carefully chosen illustrations.

* Treasurer-Controller, J. T. Baker Chemical Company, Phillipsburg, N. J.

Particularly difficult is the problem of retaining the reviewer's supposedly objective viewpoint when the various facets and problems of one's own job or profession are involved. However, the authors have assisted by presenting a well-organized and well-edited script. Illustrative of their salesmanship is the division of the book into five major sections on the function of controllership, accounting control of operations, accounting reports, administration of the controller's department, and other problems of controllership. An example of the logical approach adopted is the division of the section on accounting reports, where chapters are devoted to internal managerial reports, stockholders' reports, employee and general public reports, governmental and stock exchange reports, and creditors' reports.

The main criticism to be leveled against the book is that, in the interests of all-inclusiveness combined with conciseness, the authors have necessarily given the "once over lightly" treatment to some major worries of most controllers. The segments devoted to profit-planning and to tax problems, while reasonably specific, are of the surface-scratching variety. However, this may be an asset rather than a deficiency, because the average controller will immediately start thinking of the hundred additional problems in these categories within his own company. Thus benefits will accrue strictly as a result of the thought stimulation provided.

Very few readers can escape the theme, running like a thread through the volume, that electronics are furnishing management and the controller with a means of deriving and summarizing a mass of information about a business. This universal tool is enabling controllers to concentrate more closely on interpreting the information and coordinating various parts of the enterprise. Another pervading theme throughout the pages is the re-emphasis on the profit possibilities of budgetary control in all phases of business today.

Two definitions set forth by Messrs. Heckert and Willson, while basically not original, are nevertheless concise enough to bear repeating. They define modern control methods as a procedure for regulating or confining business activities, in accordance with a plan, so that the objectives of the business may be attained. They define the ideal controller as one who must be technically competent, possess good judgment and common sense, develop an efficient staff, and have the intestinal fortitude to stand his ground on important matters.

Briefer Book Notes

[Please order books directly from publishers]

GENERAL MANAGEMENT

HUMAN FACTORS IN MANAGEMENT. Revised edition. Edited by Schuyler Dean Hoslett. Harper & Brothers, New York, 1951. 327 pages. $4.00. This book brings together, in a single volume, some of the most significant findings of recent years on the human problems of organization. The present edition has been enlarged to meet the expansion of interest and research in the field. Consideration is given to problems of human relations in leadership, supervision, training, personal adjustment, labor-management relations, and productivity. Organization-wide influences on human relations are also treated. Authors represented are among the foremost writers in the field of human relations and the social sciences. Highly recommended as a collection of readings which are of lasting value and interest.

A MANUAL FOR ADMINISTRATIVE ANALYSIS. By John M. Pfiffner and S. Owen Lane. Wm. C. Brown Company, Dubuque, Iowa. 1951. 81 pages. $2.50. This excellent study provides a job analysis of the duties, responsibilities, and techniques of investigative procedure required of the administrative or organizational analyst. The purposes are: (1) to set forth a sequential methodology which may be pursued by the administrative analyst when conducting a specific survey; and, (2) to determine the principal types of surveys with which the analyst may be confronted. Subjects covered: Organization Survey; Work Simplification; Space-Layout Survey; Survey of Machines and Equipment; Form Analysis; Development of Procedure Manuals; Survey of Requests for Additional Personnel; Position-Classification Survey; and Budget Analysis.

THE WILD WHEEL. By Garet Garrett. Pantheon Books, New York, 1952. 220 pages. $2.75. A colorful portrayal of an important historic phase of American experience, the rise and fall of laissez faire, as exemplified in the life of Henry Ford. On the basis of personal acquaintance with Ford and his associates, the author traces Ford's rise from a modest workshop to the vast River Rouge empire, attempting to capture the mood and drama of this period of fabulous economic growth.

THE THREAT TO OUR NATIONAL SECURITY. Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. 1952. 47 pages. Single copies free. A new CED statement which considers a Soviet policy of piecemeal gains more likely than Russian launching of an early general war, but says that we still must prepare for the second possibility while countering the first. "This involves both a *positive* task of overcoming the internal problems of the non-communist world and improving its living standards, and a *defensive* task of preventing the Soviet Union and its communist supporters from interfering. These joint tasks will not be quickly or cheaply accomplished."

COMPENSATING THE CORPORATE EXECUTIVE. Revised edition. By George Thomas Washington and V. Henry Rothschild. The Ronald Press Company, New York, 1951. 586 pages. $12.00 An extensive revision of a definitive study (largely from the legal standpoint) of problems and policies of executive compensation. Covers business, tax, and legal aspects of salary and profit-sharing contracts, stock bonus and stock purchase plans, stock options, deferred compensation, pensions, and governmental and judicial controls over executive compensation. Particular attention is given to the impact of the regulatory and tax policies of the Federal Government. A special feature of the present edition is a greatly increased number of corporate documents from the files of the Securities and Exchange Commission, of individual companies, and of their attorneys. These documents, not otherwise readily accessible, are set forth in the appendix and analyzed in the text. They illustrate the contracts and plans used by major companies and help supply the materials necessary for working out actual compensation arrangements. In addition, a typical compensation contract, based on a careful study of such practices, is discussed in detail, clause by clause.

The authors do not attempt to suggest ready-made plans for executive compensation, since the plan must be tailored to fit the needs of the individual company. However, the book does give, in as simple and direct a fashion as the subject matter permits, detailed treatment of the chief legal and practical problems encountered in the drafting and adopting of plans for managerial compensation. Accordingly, it should be useful as a starting point for corporate managers and their legal advisors in considering the needs of the particular company.

DEFINING THE CITY MANAGER'S POSITION: *The Function, Responsibilities, Authority and Relationships of City Managers.* Presented by L. L. Purkey (Manager, Department on Organization, Standard Oil Co. of California) before the 1951 Annual Conference, League of California Cities. (Copies available upon request to the author at Standard Oil Co. of California, Standard Oil Building, San Francisco 20, Calif.) This job description and guide, based on careful analysis of the operating procedures and problems of a number of city managers, is a noteworthy example of the application of sound business management principles to the field of public administration.

PERSONNEL AND LABOR RELATIONS

READINGS IN INDUSTRIAL AND BUSINESS PSYCHOLOGY. Edited by Harry W. Karn and B. von Haller Gilmer. McGraw-Hill Publications in Psychology, McGraw-Hill Book Company, Inc., New York, 1952. 476 pages. $4.50. A collection of 53 representative articles which point the way toward an identification and solution of the more pressing psychological problems in business and industry. Articles are presented in their original form, with only very slight editing and practically no abridgement. Each is an integrated presentation in itself and can be used without reference to the remainder of the book.

EMPLOYMENT OF THE OLDER WORKER: *Two Papers and a Bibliography*. By Clark Tibbitts, Arthur J. Noetzel, Jr., and Charles C. Gibbons. W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Mich., March, 1952. 24 pages. Gratis. Mr. Tibbitts' paper on the "Background of the Issue" is followed by Professor Noetzel's report on "Experience of Employers in the Cleveland Area." A selected bibliography has been added by Dr. Gibbons.

MATERNITY PROTECTION OF EMPLOYED WOMEN. *Women's Bureau Bulletin* No. 240, U. S. Department of Labor, Washington, D. C., 1952. 50 pages. 20 cents. Part I of this comprehensive report deals with the legislative and other provisions in the United States affecting maternity protection of employed women before and after childbirth. This concludes with a detailed analysis of the types of maternity protection found in benefit plans in effect in 43 representative firms, and an analysis of the experience of 831 claimants for maternity benefits. For purposes of comparison, Part II describes maternity protection legislation in effect in foreign countries.

COMPARATIVE LABOR MOVEMENTS. Edited by Walter Galenson. Prentice-Hall, Inc., New York, 1952. 599 pages. $6.50. A group of essays on the development of trade unionism in seven major political areas of the world. The authors, distinguished students of the labor movement in these countries, have attempted to indicate the broad lines of trade union history, organization, and function in these areas by providing a basic minimum of factual information, plus personal evaluation of this material. The major purpose of these essays is to stimulate further research in comparative labor history and economics, in the belief that such work is crucial for intelligent thinking about trade unionism.

UNIONS AND TELEPHONES: *The Story of the Communications Workers of America*. By Jack Barbash, with the assistance of Kate Barbash. Harper & Brothers, New York, 1952. 246 pages. $2.50. Although this is an account of unionism in a single industry, it touches upon a variety of problems of interest to all who deal with labor unions. The author makes no claim to be impartial in his presentation, for as he himself points out, he approached his task "with distinctly sympathetic feelings for the union and many of its people, whom I knew personally." The management reader is almost certain to disagree with many of the observations and conclusions to be found in this book but will doubtless find it of interest as a kind of eyewitness account of the growth of a union as one of its leaders might see it.

MANUFACTURING

ECONOMICS OF AMERICAN MANUFACTURING. By Edward L. Allen. Henry Holt and Company, New York, 1952. 566 pages. $5.25. Nineteen industries are here singled out for description and analysis as a cross section of American manufacturing. The uniform chapter treatment should assist, the author feels, in analyzing other industries. Those included in the book belong to the basic metals, basic nonmetallic, metalworking, textile and leather, and consumers' goods groups.

PROCEEDINGS OF THE FOURTH ANNUAL INDUSTRIAL ENGINEERING INSTITUTE. University of California, Berkeley, Feb. 1-2, 1952 and University of California, Los Angeles, Feb. 4-5, 1952. Available from The Elliott Printing Company, 1016 Jackson Street, Oakland, Calif., 89 pages. $2.00. A series of excellent papers by leading industrial engineers reporting new developments in time study, quality control, work measurement, wage incentives and other related subjects of interest to engineers and production managers.

PRODUCTION CONTROL. By Paul D. O'Donnell. Prentice-Hall, Inc., New York, 1952. 304 pages. $6.35. Instead of discussing production control in terms of the type of company involved, this book considers its subject topic by topic, explaining how each particular phase of production control is achieved in (1) a continuous-process company and (2) a job-type company. Actual case histories describing the experience of companies between these two extremes illustrate the various problems industry has to face.

MARKETING

MARKETING RESEARCH. By David J. Luck and Hugh G. Wales. Prentice-Hall, Inc., New York, 1952. 532 pages. $5.75. A basic text, logically arranged. A first section dealing with the nature and goals of marketing research, its internal organization, its place in the business world, and career opportunities is followed by an examination of the "raw material" of research and the techniques in current usage. The "brass tacks" of applying research to product development, market potential, and advertising is then discussed, and a history of marketing research development and a projection of its probable role in the future complete the book.

SELL AS CUSTOMERS LIKE IT. By W. E. Sawyer in collaboration with A. C. Busse. Funk & Wagnalls Company, New York, 1951. 140 pages. $2.50. A direct outgrowth of a highly successful sales program and a motion picture of the same name, developed by Johnson and Johnson, this book makes available to salespeople, training directors, business school teachers, and others, the techniques proved most successful in over-the-counter selling. Humorously illustrated, exceptionally well written, and packed with common sense about selling, it contains advice that every consumer (and sales manager) wishes salesmen would follow.

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1952.

1. The names and addresses of the publisher, editor, managing editor, and business manager are: Publisher, American Management Association, Inc., 330 West 42nd Street, New York 36, N. Y.; Editor, M. J. Dooher, 330 West 42nd Street, New York 36, N. Y.; Managing editor, None; Business manager, James O. Rice, 330 West 42nd Street, New York 36, N. Y.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) American Management Association, Inc., 330 West 42nd Street, New York 36, N. Y.; Lawrence A. Appley, President, 330 West 42nd Street, New York 36, N. Y.; James L. Madden, Treasurer, 1 Madison Avenue, New York 10, N. Y.

3. The known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

M. J. DOOHER, Editor.

Sworn to and subscribed before me this 1st day of October, 1952.

BERNARD ARBITAL, Notary Public.
(My commission expires March 30, 1953.)

(Seal)

PRINTED IN U.S.A.